



**FINANCIAL SERVICES COMMISSION OF ONTARIO**

**ANNUAL REPORT 2005-2006**



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## Message from the Chair and the Chief Executive Officer

It is a pleasure to present the annual report of the Financial Services Commission of Ontario (FSCO) for the fiscal year ending March 31, 2006. This is FSCO's eighth annual report. It outlines the solid results FSCO achieved during the year, in collaboration with a host of stakeholders, to protect the interests of consumers and pension plan beneficiaries while supporting a healthy and competitive financial services industry.

FSCO regulates insurance, pension plans, credit unions, caisses populaires, mortgage brokers, co-operative corporations and loan and trust companies in Ontario. These financial sectors underpin the stability of the economy and the businesses within it, as well as anchoring the financial security of individuals and families. A fair, effective and efficient regulatory system is essential to protect the public interest and preserve public confidence in Ontario's financial services industry. FSCO is committed to sustaining such a system.

In its planning, FSCO is mindful of the complex environment in which it operates. Broad trends toward the consolidation and merger of financial institutions, globalization of the marketplace and convergence in the financial services industry are continuing. As the baby boom generation retires, the focus on pension issues is intensifying. Consumers and pension plan beneficiaries are especially concerned about the effects of fluctuating market conditions. And in the information age, stakeholders expect to do business with regulators online and consumers expect to receive information and services electronically.

FSCO is responding to this challenging climate. It is working with other regulators to adopt a cross-

jurisdictional, cross-sectoral approach to align regulation with market realities. It is strengthening its capability to measure risks, anticipate changes in market conditions and respond effectively. And it is putting unprecedented emphasis on electronic communications with stakeholders and the public.

### **National Harmonization Moves Ahead**

At the national level, FSCO is exercising strong leadership in the drive to harmonize financial services regulation across Canada.

Under the auspices of the Canadian Council of Insurance Regulators, FSCO chaired a working group on governance of the system for collecting and reporting auto insurance statistical information. This effort led to the formation of an independent agency, the General Insurance Statistical Agency (GISA), to improve the timeliness, quality and value of statistical data generated by auto insurers. Incorporated in June 2005, GISA acts as the statistical agent for eight provincial and territorial jurisdictions including Ontario.

As well, FSCO played a key role in a national committee established to streamline and harmonize insurance agent and broker licensing among Canadian jurisdictions. In 2005-2006 the committee consulted with the industry on a proposed reliance model for reciprocal licensing. Under the model, a host jurisdiction will rely on most of the requirements of the agent's home jurisdiction but can request the agent to meet some further conditions.

FSCO also chairs a national initiative by the Canadian Association of Pension Supervisory Authorities (CAPSA) to develop a model pension law for



consideration by governments across the country. During the year, CAPSA worked with a stakeholder task force to finalize standards for plan administration and basic entitlements to support the harmonization of pension legislation.

### **Shifting to Risk-Based Supervision**

FSCO is becoming a comprehensive risk-based regulator, in line with international regulatory practice. Long employed in solvency oversight, the risk-based approach is now being extended to market conduct supervision. By focusing its resources on higher-risk areas, FSCO expects to make the supervisory process more effective and efficient.

In November 2005, FSCO introduced a self-assessment questionnaire on general insurer compliance in the area of statutory accident benefits and claims handling, replacing time-consuming audits. Follow-up on-site examinations were scheduled for summer 2006. FSCO also undertook a new risk-based approach to mortgage broker oversight, employing a condensed examination format to make more frequent examinations possible.

To better protect the interests of defined-benefit pension plan members, FSCO implemented a risk-based monitoring program for pension fund investments in early 2006. The investment monitoring model and the corresponding Investment Information Summary form were tested with 200 plans in 2005 and refined in light of feedback. FSCO is confident that this significant new initiative will promote continuous improvement in pension investment management and contribute to the long-term financial health of plans.

When FSCO's ongoing monitoring processes reveal contraventions of the law, decisive action is taken. During 2005-2006, FSCO prosecuted 11 individuals and companies and secured guilty pleas on 18 charges. In one case under the *Loan and Trust Corporations Act*, the court ordered restitution in the

amount of \$2.2 million against an individual found guilty of unlicensed activity, in addition to imposing a fine. FSCO also issued four cease-and-desist orders against automobile insurers who were charging unapproved premiums on private passenger automobile insurance policies.

### **Updating the Regulatory Framework**

FSCO helps shape the regulatory framework by assisting the government to develop and implement changes in laws and regulations in response to an evolving marketplace.

During the year, FSCO provided support for the winding-down of the Designated Assessment Centre system in favour of a more streamlined process for the assessment of automobile accident injuries.

FSCO advised and assisted the ministry with the review of the *Mortgage Brokers Act* and assisted with the drafting of new legislation for this sector. FSCO also helped the ministry with a consultation paper on modernizing the regulation of credit unions and caisses populaires.

### **e-Communication Emphasized**

FSCO's website is its chief means of communicating with the public, educating consumers to make informed choices and, increasingly, doing business with the industry. A redesigned site was launched in summer 2005 to make it easier for consumers and the industry to find what they need. It features updated content, new online tools, improved navigation and a more user-friendly look and feel.

In spring 2005, FSCO launched its web-based auto insurance e-filing system – ARCTICS – industry-wide. With e-filing, auto insurers need to enter information only once and can avoid cumbersome paper-based processes.

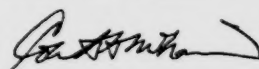


## A Culture of Partnership

Since its inception, FSCO has nurtured a culture of partnership and dialogue with the diverse array of financial services stakeholders – from consumers and pension plan beneficiaries – to the insurance industry, pension plans, deposit institutions and other providers – to our colleagues in regulatory agencies across Canada. Only by working with stakeholders can FSCO meet the challenge of keeping regulation in step with changing market realities.

We deeply appreciate the time and effort stakeholders have devoted to consulting and working with FSCO on numerous projects over the past year. We would also like to take this opportunity to salute FSCO's employees for their commitment to excellence and their dedication to FSCO's mission.

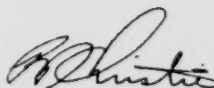
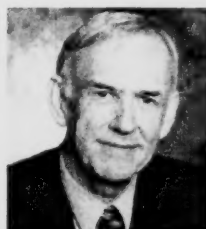
The pace of change in the realm of financial service is relentless. With the continued support of our employees and our stakeholders, we are confident FSCO will remain a vigilant and forward-looking regulator with a constructive and responsive presence in Ontario's dynamic financial services marketplace.



**Colin McNairm**

Chair

Financial Services Commission of Ontario  
Financial Services Tribunal



**Bob Christie**

Chief Executive Officer and  
Superintendent of Financial Services  
Financial Services Commission of Ontario



# FSCO's Mandate, Governance and Resources

The Financial Services Commission of Ontario (FSCO) is a regulatory agency established by the *Financial Services Commission of Ontario Act, 1997*. Reporting to the Minister of Finance, FSCO regulates insurance, pension plans, credit unions, caisses populaires, mortgage brokers, co-operative corporations and loan and trust companies in Ontario.

## Protecting the Public Interest

FSCO has a mandate to protect financial services consumers and pension plan beneficiaries and support a healthy and competitive financial services industry. It provides regulatory services that safeguard the public interest and enhance public confidence in the regulated sectors. FSCO is committed to being a vigilant, fair-minded and forward-looking regulatory agency with a constructive and responsive presence in Ontario's financial services marketplace.

## FSCO's Structure

FSCO has a three-part structure: the five-member Commission, the Superintendent of Financial Services and staff, and the Financial Services Tribunal.

## Corporate Governance

The Commission includes: the Chair and two Vice-Chairs appointed by the Lieutenant Governor in Council; the Director of Arbitrations in the automobile insurance dispute resolution system, appointed by the Lieutenant Governor in Council; and the Superintendent of Financial Services appointed under the *Public Service Act*. The Chair and Vice-Chairs serve for terms not exceeding three years and are eligible for reappointment. The Superintendent is also FSCO's Chief Executive Officer (CEO).

The purposes of the Commission as set out in the *Financial Services Commission of Ontario Act, 1997*, are to:

- provide regulatory services that protect the public interest and enhance public confidence in the regulated sectors;
- make recommendations to the Minister of Finance on matters affecting the regulated sectors; and
- provide the resources necessary for the proper functioning of the Tribunal.

The Commission is also charged with specific statutory responsibilities to:

- recommend to the Minister and the Lieutenant Governor in Council fees and assessments to cover regulatory costs;
- establish conflict of interest guidelines for the Commission, Tribunal members and FSCO staff;
- publish and deliver to the Minister an annual statement of FSCO's priorities, and file an annual report.

The Commission meets at least quarterly. The current members and their terms are:

Colin McNairn (Chair) – August 11, 2004 to August 10, 2006

Anne Corbett (Vice-Chair) – August 11, 2004 to August 10, 2006

John Solursh (Vice-Chair) – February 25, 2005 to February 24, 2008

David R. Draper (Director of Arbitrations) – August 30, 2001 to May 2, 2009

Bob Christie (Superintendent of Financial Services and CEO) – appointed September 6, 2005.

## Superintendent and Staff

The Superintendent and CEO is responsible for the general supervision of the regulated sectors, the administration and enforcement of the *Financial Services Commission of Ontario Act, 1997* and other statutes governing the regulated sectors, and FSCO's financial and administrative affairs. FSCO's staff, made up of public servants, support the

Superintendent in carrying out these roles. The Superintendent may delegate any of his powers or duties to FSCO staff.

### **Financial Services Tribunal**

The Financial Services Tribunal is an adjudicative body that conducts hearings arising from regulatory and proposed regulatory decisions of the Superintendent. The Chair and Vice-Chairs of the Commission are also the Chair and Vice-Chairs of the Tribunal.

### **Human and Fiscal Resources**

FSCO's offices are located at 5160 Yonge Street in north Toronto. In 2005-2006, FSCO had an annual budget of \$49.8 million – a 4 per cent increase from \$47.8 million in 2004-2005. FSCO's staff included 484 full-time positions, virtually unchanged from the previous year.

### **Staff Committees**

FSCO makes use of internal staff committees to provide input on policy and operational issues. The following committees are currently active:

- Senior Management – provides leadership and direction on corporate administrative matters, management issues, operations and corporate strategy and tactics.
- Auto Insurance Policy – examines auto insurance policy issues and makes recommendations to the CEO.
- Insurance and Deposit Institutions Policy – reviews and discusses policy issues concerning licensing and market conduct in these sectors and makes recommendations to the CEO.
- Pension Policy – discusses policy issues involving pension regulation and makes recommendations to the CEO.
- Corporate Policy Coordination – coordinates policy issues across sectors, leads policy

development items through the conceptual stages and coordinates their flow through the FSCO committee structure to the CEO.

- Compliance Coordination – shares information between FSCO's program areas and coordinates regulatory efforts that concern market behaviour in the financial services industry.
- Audit – communicates with the Office of the Auditor General of Ontario on financial reporting; oversees the quality of FSCO's internal controls to ensure compliance with policies and procedures; and ensures FSCO has implemented appropriate systems of internal control over financial reporting.
- Human Resources – ensures that FSCO's human resources practices, policies and initiatives are aligned with FSCO's business and organizational priorities, and provides support to management on key human resources issues.
- Local Employee Relations – fosters ongoing, effective and productive communication between FSCO and the Ontario Public Service Employees Union.
- Health and Safety – promotes a healthy and safe work environment at FSCO in accordance with the government's Occupational Health and Safety Directive.
- Excellence – provides advice and recommendations on corporate employee initiatives – such as Above and Beyond, Bright Ideas, and Common Services Standards and Quality Service – to meet FSCO's strategic objectives and promote a culture of innovation.

### **Cost Recovery**

FSCO's costs are recovered from the regulated sectors. Under the *Financial Services Commission of Ontario Act, 1997*, the Lieutenant Governor in Council may assess all entities that form part of a regulated sector with respect to all expenses and expenditures that the Ministry of Finance, the Commission and the Tribunal have incurred. The Minister of Finance is



also authorized to establish fees with respect to the regulated sectors for services provided by FSCO.

In 2004, FSCO concluded a review of its assessment and revenue process. A key recommendation from the review was to implement quarterly, rather than annual, assessments for the insurance sector. This recommendation also responded to requests from insurance stakeholders. Work proceeded on this project during 2005-2006 and FSCO plans to introduce the new quarterly assessment process in 2006-2007. With this approach, the insurance industry will receive quarterly invoices based upon actual expenditures in the previous quarter, rather than an annual invoice based on a forecasted amount. The project will also make it easier for FSCO to automate the assessment process.

### **Accountability Maintained**

Each year, as an agency of the Ministry of Finance, FSCO is granted spending authority through the government planning process, based on closely monitored organizational needs and government priorities. FSCO reports to the government quarterly on the status of its spending.

FSCO's annual financial statements are audited by the Office of the Auditor General of Ontario. The audited financial statements are published in this annual report.

Under the *Financial Services Commission of Ontario Act, 1997*, by June 30 each year FSCO must send a Statement of Priorities for the coming year to the Ministry of Finance and publish it in The Ontario Gazette. FSCO's Statement of Priorities identifies key challenges facing FSCO and sets out strategic priorities and initiatives. This document also includes a report-back to stakeholders on initiatives and projects from the previous year.

FSCO prepares a business plan each year, as required by the government's Agency Establishment and Accountability Directive. The plan must cover at

least the next three fiscal years and include information about strategic directions, programs and activities, resource needs, performance measures and targets and other matters. FSCO's business plan is reviewed and approved by the Minister of Finance each year and by the Ministry of Government Services once every three years

# The Regulated Sectors in Profile

The sectors regulated by FSCO comprise a large, dynamic and evolving industry that underpins the strength of the provincial economy and the financial security of Ontario residents. The industry provides valuable services to consumers and businesses, represents a significant source of investment funds and is a major employer.

## Insurance

Insurance is a \$33.2 billion business in Ontario. In 2005, life premium volume increased 19 per cent over the previous year while property and casualty (including automobile) premium volume remained constant. As a result, the life insurance share of the total premium dollar increased to 48 per cent while the property and casualty share decreased to 52 per cent. As of March 31, 2006, there were 401 insurance companies licensed to do business in the province, as well as approximately 36,421 insurance agents, 3,920 corporate insurance agencies and 1,114 insurance adjusters.

### Insurance Companies Licensed in Ontario

<i>Business Type</i>	<i>As of March 31, 2006 #</i>	<i>As of March 31, 2005 #</i>
<b>Life</b>	97	93
<b>Property &amp; Casualty</b>	220	221
<b>Other</b>	84	77
<b>Total</b>	401	391

### Direct Insurance Premium Volume in Ontario

<i>Business Type</i>	<i>2005 \$ Billion</i>	<i>2004 \$ Billion</i>
<b>Life</b>	15.8	13.3
<b>Property &amp; Casualty</b>	17.1	17.1
<b>Other</b>	0.33	0.31
<b>Total</b>	33.2	30.7



## Deposit Institutions, Mortgage Brokers, Co-operative Corporations

As of March 31, 2006, Ontario's 225 credit unions and caisses populaires held total assets of \$23.5 billion. The trend toward amalgamation continued in 2005-2006, with credit unions and caisses populaires increasing their total assets despite a decrease in their number. Regulatory capital\* in support of deposits represented 7.10 per cent of system assets in 2006, slightly up from 7.08 per cent of system assets in both 2005 and 2004, indicating a financially sound industry. Membership in credit unions and caisses populaires held steady at about 1.6 million.

At year end, 51 loan and trust companies were registered to operate in Ontario, virtually unchanged from 50 the year before. All were federally incorporated.

There were 1,771 co-operative corporations in Ontario as of March 31, 2006 – up from 1,748 a year earlier. Twenty-seven new co-operatives incorporated during 2005-2006 – eight in services, five in housing, two in development, two in farming and one in financing, as well as one consumer co-operative and eight worker co-operatives. Two amalgamations also took place.

At year end, 971 mortgage brokers were registered in Ontario and employed approximately 7,684 agents. These totals were up from 701 brokers employing about 6,500 agents the previous year.

### *Ontario Credit Unions and Caisses Populaires*

<i>Measure</i>	<i>As of March 31, 2006</i>	<i>As of March 31, 2005</i>
<b>All Institutions</b>		
Number	225	234
Assets	\$23.5 billion	\$22.7 billion
<b>Institutions with Assets over \$10 million</b>		
Number	155	160
Assets	\$23.2 billion	\$22.4 billion

\*Under Ontario Regulation 76/95 under the Credit Unions and Caisses Populaires Act, 1994, credit unions and caisses populaires are required to maintain adequate regulatory capital, that is, capital equal to at least five per cent of total assets. This is determined by FSCO using a set of rules based upon standards developed by the Bank for International Settlements.

## Pension Plans

Employment pension plans represent a significant component of financial security for retired employees and their families. FSCO regulates all Ontario-registered pension plans.

Most pension plans fall into one of the following categories:

- *Defined benefit plans* provide a predetermined benefit level during retirement.
- *Defined contribution plans* set the amount of contributions and provide benefit payments based on accumulated contributions plus investment yield.
- *Multi-employer pension plans (MEPPs)*, either defined benefit or defined contribution, are established mainly in industries or trades where workers tend to change employers frequently.

In the private sector, the 10 largest single-employer plans have a combined active membership of 191,000 and \$33 billion in total assets (at market value), while the five largest multi-employer plans have a combined active membership of 401,000 and \$5.5 billion in total assets (at market value). The seven largest public-sector plans have a combined active membership of 1,078,000 and \$151 billion in total assets (at market value).

In 2005-2006, the number of pension plans increased by six per cent to 6,913 and total active plan membership increased by two per cent to 2,093,949. Active plan members are those currently paying into the plan through their own or employer contributions. While MEPPs represented only two per cent of registered plans, they accounted for 45 per cent of active plan membership – consistent with the pattern of previous years.





## Ontario-Registered Active Pension Plans and Membership

<i>Type</i>	<i>As of March 31, 2006</i>		<i>As of March 31, 2005</i>	
	<i>#</i>	<i>% of Total</i>	<i>#</i>	<i>% of Total</i>
<b>Defined Benefit Plans</b>	3,463	50%	3,113	48%
Active Members	848,250	41%	849,853	41%
<b>Defined Contribution Plans</b>	3,325	48%	3,280	50%
Active Members	305,234	14%	293,817	14%
<b>Multi-Employer Plans</b>				
Defined Benefit	84	1%	85	1%
- Active Members	918,562	44%	891,500	43%
Defined Contribution	41	1%	40	1%
- Active Members	21,903	1%	21,566	1%
<b>Total Pension Plans</b>	6,913	100%	6,518	100%
Active Members	2,093,949	100%	2,056,736	100%*

\*Percentages do not add due to rounding.

## FSCO at Work

FSCO provides a variety of regulatory services to protect Ontario consumers and pension plan beneficiaries and support a healthy and competitive financial services industry. The following overview covers FSCO's activities during 2005-2006 in eight key areas:

- Licensing and monitoring
- Enforcement
- Overseeing pension plans
- Support for the automobile insurance system
- Resolving automobile accident benefits disputes
- Policy development
- Consumer protection through information
- Getting the most from organizational resources

### Licensing and Monitoring

To protect the public interest, FSCO licenses and registers individuals and enterprises to provide financial services and monitors market conduct and compliance with legislation and regulations.

#### High Application Volume

In 2005-2006, FSCO received more than 20,000 licensing, registration and other applications regarding the provision of financial services. Applicants must meet requirements under the relevant statutes, which may include a qualifying examination and continuing education.

FSCO surpassed its service target for the processing of applications for new or renewed insurance agent licences. During the year, 91 per cent of complete and accurate applications were processed within five business days, exceeding the target of 85 per cent.

Increased use of FSCO's Internet application system contributed to this improved result. By year end, approximately 48 per cent of all licence renewals for life insurance agents were processed over the Internet – up from 44 per cent a year earlier. The totals include agents moving from sponsored agent status (Level I) to unsponsored agent status (Level II).

#### Licensing and Registration Activity

Activity	2005-2006 #	2004-2005 #
<b>Individuals</b>		
<i>New Licences Issued</i>		
Life insurance agents	3,776	3,470
General insurance agents	865	944
Accident and sickness insurance agents	297	287
Insurance adjusters	83	120
<i>Licences Renewed</i>		
Life insurance agents*	7,581	14,565
General insurance agents*	2,215	2,094
Accident and sickness insurance agents	148	154
Insurance adjusters	1,026	1,053
<i>Moves from Life Agent Level I to Level II</i>		
<i>New Registrations Issued</i>		
Statutory Accident Benefits Schedule (SABS) representatives	19	250



## Corporations

### *New Licences Issued*

Life and general insurance agencies	329	303
Corporate insurance adjusters	7	4
Insurance companies	10	7

### *New Registrations Issued*

Mortgage brokers	312	146
Loan and trust companies	1	8

### *Licences Renewed*

Life and general insurance agencies*	1,064	2,123
Corporate insurance adjusters	108	118

### *Registrations Renewed*

Mortgage brokers	659	555
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## Co-operatives

Offering statements	15	17
New incorporations	27	27
Dissolutions/cancellations	4	5

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## Credit Unions/Caisses Populaires

New incorporations	–	–
Applications to Change Line of	125	136
Mergers	15	15

\* Licences are issued for a two-year term. There are high-year and low-year renewal cycles; 2005-2006 was a low year.

## Building Public Confidence

In fulfilling its mission to enhance public confidence in the regulated sectors, FSCO takes a forward-looking, proactive approach to market oversight and compliance with legislation and regulations. FSCO employs such tools as the analysis of industry filings, use of surveys and questionnaires, audits of applications, police checks, desk and on-site examinations, assessment of media reports, and review of complaints.

In 2005-2006, FSCO found that 99 per cent of all insurance companies and intermediaries that were audited, examined or reviewed were in compliance with legal requirements. This exceeded FSCO's target of 90 per cent. The high compliance rate shows the effectiveness of FSCO's compliance activities.

## Monitoring Financial Compliance

During the year, FSCO continued to strengthen the risk-based solvency monitoring of Ontario-incorporated insurance companies, credit unions and caisses populaires. FSCO evaluates risk profiles, financial condition, risk management processes and legislative compliance and then targets examinations based on an assessment of risk. The objective is to ensure that the financial condition of companies and institutions remains healthy and that obligations to policyholders and depositors can be met.

FSCO also conducted 31 examinations of pension plans in 2005-2006, including significant work on two large multi-employer plans.

## Monitoring Business Practices

The positive economic conditions in Ontario have contributed to better capitalization and profitability across the insurance and credit union sectors. The industry's stronger financial position has enabled FSCO to put more emphasis on market conduct supervision while maintaining prudential oversight. FSCO is developing and enhancing tools to support

risk-based market conduct regulation in Ontario and a common approach to market oversight nationally.

In 2005-2006, FSCO reinforced its capability to analyze sectoral trends, identify risks and highlight emerging issues. Increased emphasis has been placed on techniques for gathering information from the news media, rating agencies and the work of other regulators. Examiners and analysts are encouraged to look below the surface of immediate issues to uncover institutional or systemic pressures. These steps support FSCO's move from case-handling and problem-solving toward broader market supervision and risk analysis.

In November 2005, FSCO introduced a self-assessment questionnaire on general insurer compliance in the area of statutory accident benefits and claims handling. Desk reviews and risk assessments of the questionnaire responses were completed in early 2006. Developed with industry assistance, the questionnaire replaced time-consuming transactional audits. Eighty-seven companies participated in this risk-based review. On-site examinations were scheduled for summer 2006, with a final report expected in the fall.

FSCO also undertook a new risk-based approach to mortgage broker examinations, employing a condensed or "mini" compliance examination to increase the frequency of the examination cycle, especially outside the Greater Toronto Area. The mortgage broker sector accounts for a high proportion of compliance work targeting unlicensed activity.

In addition, FSCO assessed auto insurer compliance with undertakings accepted by the Superintendent and launched a best practices review on how auto insurers make certain that only rates approved by the Superintendent are in use.



### **Responding to Consumer Complaints**

The review of complaints is a fundamental aspect of a risk-based approach to market oversight, as complaints reflect customer dissatisfaction and can signal market conduct issues. However, supervisory responses are undertaken only if corroborating information is found.

Each Ontario insurance company is required to utilize an independent third party to review unresolved complaints. Most insurance companies are members of an ombudservice established by the industry. FSCO is usually the independent third party for companies that are not members of an ombudservice. FSCO oversees the operation of this system and also provides insurance consumers with a final avenue for resolving complaints not settled through the industry process.

As well, FSCO itself inquires into complaints alleging non-compliance with legislative or regulatory requirements in any of the regulated sectors.

### **Market Conduct Monitoring Activities**

<i>Activity</i>	<i>2005-2006</i>	<i>2004-2005</i>
<b>Examinations Conducted</b>		
Insurance companies	27	27
– solvency		
Pension plans	31	30
Mortgage brokers	39	45
Credit unions/ caisses populaires	3	3
<b>Police Checks of Insurance Agent Licence Applications</b>	23,060	24,882
<b>Life Insurance Agent Audits</b>		
Continuing education	–*	524
Errors & omissions insurance	1,996	4,055
<b>Statutory Accident Benefits Schedule (SABS) Representatives Audits</b>		
Errors & omissions insurance	20**	215
<b>Complaint Reviews</b>		
Insurance Companies	186	119
Insurance Agents	298	111
Mortgage Brokers	87	126
Credit Unions	15	11
Loan & Trust	2	2
Co-operatives	–	5
SABS Representatives	24	56
Health Care Providers	5	8

\*Audits deferred to early in next fiscal year due to staff reorganization.

\*\*Audits initiated for 10% of active SABS representatives only as opposed to 100% in previous years.

## Enforcement

Based on its monitoring of the regulated sectors, FSCO may find some matters that require further scrutiny. FSCO investigates allegations of misconduct, unfair practices and non-compliance with legislation or regulations, and takes enforcement action if warranted.

### Offenders Prosecuted

During 2005-2006, FSCO prosecuted 11 individuals and companies and secured guilty pleas on 18 charges resulting in fines of \$97,350. These cases dealt with such offences as acting as an unlicensed insurance agent, acting as a life insurance agent without errors and omissions coverage, failure to comply with filing requirements under the *Mortgage Brokers Act* or the *Credit Unions and Caisses Populaires Act, 1994*, and failure to remit pension contributions in accordance with the *Pension Benefits Act*. In a case under the *Loan and Trust Corporations Act*, the court imposed a fine and also ordered restitution in the amount of \$2.2 million against an individual who was found guilty of unlicensed activity.

### Unapproved Auto Rates

During the year, FSCO investigated several compliance issues involving automobile insurance rates not approved by the Superintendent. As a result of these investigations, FSCO issued four cease and desist orders against automobile insurers that were charging unapproved rates on private passenger automobile insurance policies.

## Insurance Licensing Cases

FSCO conducted nearly 2,000 audits of life agent errors and omissions coverage in 2005-2006. This monitoring activity led to the surrender of 40 licences.

The majority of matters dealing with the licences of insurance agents and adjusters are resolved by minutes of settlement, without a hearing. If necessary, Advisory Boards hold hearings and then make recommendations to the Superintendent on whether to grant or refuse a new licence or revoke or suspend an existing licence. Each board includes a representative of agents or adjusters, a representative of insurers and a representative of the Superintendent. Fourteen matters were heard by Advisory Boards in 2005-2006, compared with six the previous year.

### SABS Representatives

Under the 2003 automobile insurance reforms, someone who is not a practicing lawyer and who acts as an adviser, consultant or representative of a claimant for statutory accident benefits (SABS) must file a declaration with FSCO and meet other requirements before acting for a claimant. In 2005-2006, FSCO reviewed 24 complaints and reports of misconduct about SABS representatives.

Enforcement actions were taken in 17 cases to protect claimants from unqualified and dishonest representatives.



## Dispute Resolution Penalties

FSCO provides mediation, neutral evaluation, arbitration and appeal services in automobile accident benefits disputes, as an alternative to the court system. (See Resolving Automobile Accident Benefits Disputes section later in this report.) At the conclusion of an arbitration hearing involving insurers and claimants, an arbitrator may decide to impose penalties under the *Insurance Act*. A special award may be made against an insurer that has unreasonably withheld or delayed the payment of benefits, and a person representing an insured person or insurer can be ordered to pay expenses personally in certain situations.

In 2005-2006, arbitrators imposed penalties against insurers in eight cases and against representatives in eight cases.

## Enforcement Actions

<i>Type</i>	<i>2005-2006 #</i>	<i>2004-2005 #</i>
<b>Insurance</b>		
Licences Revoked	13	22
Licences Surrendered	40	193
Licences Suspended	12	13
Letters of Censure	89	86
Revocation of Agent Sponsorship	–	3
<b>SABS Representatives</b>		
Delisted	81	44
Minutes of Settlement	4	6
Letters of Caution	8	15
<b>Dispute Resolution Penalties</b>		
Special Awards against Insurers	8	9
Expense Orders against Representatives	8	5
<b>Cease and Desist Orders</b>	13*	9**
<b>Prosecutions Completed</b>	11	20

\*Six were final orders and seven were interim orders that became permanent.

\*\* Four of the nine interim cease and desist orders became final cease and desist orders.



## Overseeing Pension Plans

FSCO regulates Ontario-registered pension plans in accordance with the *Pension Benefits Act* and Regulations, which establish minimum standards for the administration and funding of pension plans for employees in Ontario. FSCO monitors and enforces compliance with the legislation and regulations to ensure plans deliver the promised benefits.

Under the Act, the Superintendent of Financial Services makes regulatory decisions on various plan transactions. Some of these powers may be delegated to staff. The chart on the next page enumerates pension plan transactions processed by FSCO in 2005-2006. FSCO also processes routine pension plan filings, which totaled 17,770 during the year.

In addition, when companies become insolvent, the Superintendent usually appoints a third-party administrator to ensure pension plans are properly wound up. As of March 31, 2006, FSCO was coordinating the administration of 223 plans for insolvent companies, up from 215 a year earlier.

## Protecting Pension Benefits

The Superintendent is responsible for the administration of the Pension Benefits Guarantee Fund (PBGF) established by legislation. The PBGF provides a minimum level of protection to members of most single-employer defined benefit plans registered in Ontario. This protection applies when a plan winds up in whole or in part, the employer does not provide sufficient funding, and the pension fund does not have enough assets to pay the promised pensions. Financial statements for the PBGF may be found on pages 55-64 of this annual report.

### *Pension Benefits Guarantee Fund*

<i>Claims Paid</i>	<i>2005-2006</i>	<i>2004-2005</i>
<b>Number</b>	25	26
<b>Total Value*</b>	\$196,649,353	\$383,077,970**

\* The total values are reported on a cash basis.

\*\* Includes a claim in the amount of \$287,300,000 (RC 335802 – Algoma Steel Inc. – Non-contributory Pension Plan for Hourly Paid – May 14, 2004).



## ***Pension Plan Transactions***

<b>Type</b>	<b>2005-2006</b>	<b>2004-2005</b>
	<b>#</b>	<b>#</b>
<b>New Plans Registered</b>		
Defined Benefit	574	230
Defined Contribution	111	91
Total	685	321
<b>Plan Amendments Registered</b>		
	2,289	2,222
<b>Full Wind-ups Processed</b>		
Defined Benefit	119	82
Defined Contribution	113	104
Total	232	186
<b>Partial Wind-ups Processed</b>		
Defined Benefit	52	48
Defined Contribution	38	20
Total	90	68
<b>Plan Mergers/Asset Transfers Approved</b>		
Defined Benefit	36	21
Defined Contribution	39	15
MEPP	4	5
Total	79	41
<b>Surplus Refunds to Employers on Full Wind-up Applications</b>		
Defined Benefit	13	9
Defined Contribution	-	2
Total	13	11

## Risk-Based Pension Supervision

To protect the interests of plan members and make the most effective use of regulatory resources, FSCO is committed to a risk-based approach to the supervision of pension plans.

Since 2000, FSCO has monitored the funding of defined benefit pension plans through an electronic database and risk selection system. The system has reinforced FSCO's capabilities to ensure compliance with the funding requirements under the legislation.

Highlights of risk-based monitoring of plan funding in 2005-2006 include:

- Actuarial information summary reports for 1,937 plans were entered and screened through the system.
- The system flagged possible problems with 747 of the plans screened.
- FSCO took action on 114 plans where material compliance concerns were found; compliance was achieved for all of these plans through remedial actions by plan sponsors, administrators and actuaries.
- FSCO found a total of \$4 million in unpaid contributions in respect of 13 plans, which has since been remitted to the plans by the sponsors.

The solvency of pension plans also depends on the investment of pension assets. As an extension of the monitoring of plan funding, FSCO implemented a risk-based monitoring program for pension fund investments in January 2006. To pave the way, the investment monitoring model was tested with 200 defined benefit pension plans in 2005. Based on the test results, FSCO refined the methods and criteria

used in the model and finalized the accompanying Investment Information Summary form. FSCO believes that the risk-based investment monitoring program will promote continuous improvement in pension investment management and enhance the long-term financial health of pension plans.

## Pension Regulatory Policy Initiatives

FSCO issues regulatory policies to guide the administration of pension legislation.

### *Following Up on Monsanto*

During the year, FSCO completed the review of all relevant pension policies in light of the July 2004 ruling by the Supreme Court of Canada in *Monsanto Canada Inc. v. Superintendent of Financial Services*. The court decision upheld the Superintendent's position that the *Pension Benefits Act* requires the distribution of surplus assets on the partial wind-up of a pension plan.

The review led FSCO to update four major policies, begin a further assessment of six policies and confirm that 21 policies addressing plan wind-up and surplus are unaffected. As well, two issues were found to require new policies: how to split assets across jurisdictions if the pension plan has members outside Ontario; and, whether an employer's share of surplus resulting from a partial wind-up can remain in the ongoing portion of the plan. FSCO started work on these new policies.

As well, FSCO contacted the approximately 200 pension plans affected by the *Monsanto* decision to request updates on the financial position of the wound-up portion of the plan and a timetable for distribution of remaining assets. As of year end, almost one third of all cases had been resolved. FSCO continues to monitor compliance with obligations to distribute surplus on partial wind-up.



### ***Plans Subject to a Trust***

In July 2004, the Supreme Court of Canada dismissed an application for leave to appeal the Ontario Court of Appeal decision in *Aegon Canada and Transamerica Life v. ING Canada*. The ruling upheld the Court of Appeal's decision that cast doubt on the Superintendent's authority to consent to the transfer of specific pension plan assets because they were subject to a trust. FSCO reviewed the implications, identified the types of asset transfers on sale or merger that could be considered, and posted a checklist on the website in September 2005. The checklist is intended to assist applicants seeking the Superintendent's consent to a transfer of assets between plans.

The situation was complicated by the decision of the Ontario Divisional Court in March 2006 in *Nolan v. Superintendent of Financial Services*, generally known as the Kerry decision. The case broadened the application of trust principles to pension plans and identified more issues that may affect asset transfers, resulting in even greater uncertainty as to how the Superintendent can respond to applications involving plans that are subject to a trust. FSCO began assessing the implications of this decision for existing pension policies.

### **Access to Locked-In Accounts**

Individuals entitled to a deferred pension when they end membership in a registered pension plan can transfer the value of the pension benefit to a locked-in retirement savings account. These accounts can be used only to provide retirement income, normally after age 55 and with limits on the minimum and maximum payments in any one year. However, individuals may obtain special access to their locked-in accounts in prescribed conditions of financial hardship. FSCO processes applications for consent to financial-hardship unlocking.

### **Commitment to Efficiency**

FSCO delivered on its commitment to provide efficient pension regulatory services. For example, FSCO responds to inquiries from beneficiaries about their plans. In 2005-2006, the average response time was seven days, beating the target of 15 days. A total of 2,941 pension inquiries were received.

The average cost of all pension regulatory activities combined – such as monitoring plan funding, processing transactions and filings, and responding to inquiries – met the target of \$3.24 per plan beneficiary.

### ***Financial Hardship Unlocking Applications Processed***

<b><i>Applications</i></b>	<b><i>2005-2006</i></b> #	<b><i>2004-2005</i></b> #
<b>Received</b>	10,163	10,129
<b>Approved</b>	9,062	8,932
<b>Refused</b>	1	9

## Support for the Automobile Insurance System

FSCO has significant regulatory responsibilities concerning automobile insurance, which is compulsory for Ontario drivers. FSCO's roles include providing policy advice on the regulatory framework, reviewing automobile insurance rates, and operating a claims fund for victims of accidents involving uninsured or unidentified vehicles.

### Further Automobile Insurance Reforms

In 2005-2006, FSCO assisted the Ministry of Finance to develop further automobile insurance reforms designed to stabilize costs, lower premiums and protect consumers.

#### *Designated Assessment Centres Wind Down*

A major change was the elimination of the designated assessment centre (DAC) system. DACs were independent health care providers and facilities that conducted impartial assessments of injuries to help claimants and insurers reach agreement about statutory accident benefits.

FSCO worked closely with the ministry on reforms to streamline the assessment process. The Statutory Accident Benefits Schedule was amended to eliminate DACs effective March 1, 2006. Under the new provisions, claimants continue to obtain assessments from their own health care provider when applying for benefits, and insurance companies must request a separate medical examination from a health care provider of their choice if they want to challenge the claimant's provider. If the parties disagree about the claimant's entitlement to accident benefits or the amount of the benefits, the dispute can be brought directly to FSCO's dispute resolution services.

The end of the DAC system was coupled with additional changes to the assessment process, developed with FSCO's assistance, including:

- expanding the list of unfair or deceptive acts and practices to prevent delays or possible misuse of insurer examinations – for example, insurers are barred from making a statement to adjust or settle a claim that they know misrepresents the findings of an insurer examination;
- removing the ban on filing for mediation where a claimant has failed to attend an insurer examination, and instead subjecting the claimant to possible cost sanctions at arbitration; and
- providing for a pre-claim examination undertaken by an insurer with the claimant's consent in order to expedite the provision of goods and services following an accident.

#### *Other Auto Insurance Improvements*

FSCO was also involved in reforms dealing with vicarious liability issues in the leasing or rental of vehicles. Legislative amendments were enacted to change the order in which insurers respond to liability claims arising from accidents involving a leased or rented vehicle to ensure that the lessee's policy pays first. The amendments also limit the liability of the leasing or rental company with respect to claims for bodily injury or death arising from the use of a leased or rented vehicle to a cap, generally \$1 million.

As well, FSCO is leading a government project to create new Pre-approved Framework (PAF) Guidelines to help people injured in auto accidents get early and effective treatment and to make better use of health care resources. A project advisory committee made up of stakeholder representatives convened in October 2005 and continues to pursue work in this area.



## **Auto Insurance Rates Reviewed**

Ontario automobile insurers are required to obtain FSCO's approval to change their rates, risk classification systems or underwriting rules for denial of coverage.

The review of auto insurance rates is a key aspect of consumer protection. In 2005-2006, FSCO's rate review process saved Ontario drivers an estimated \$100 million, based on the difference between rates as originally filed and finally approved.

In April 2005, the Superintendent required insurance companies that use the Canadian Loss Experience Automobile Rating (CLEAR) system to submit rate filings reflecting the 2005 CLEAR vehicle rate group tables. CLEAR groups vehicles by their actual claims experience so rates can be accurately aligned with risks.

In summer 2005, FSCO undertook a review of industry claims costs that covered the impact of auto insurance reform, as well as an analysis of claims costs of young drivers. As a result of the review, several insurers were requested to refile their rates in November 2005.

Overall, approved rates for Ontario private-passenger auto insurance decreased in each quarter of 2005-2006. The combined change in approved rates for 2004, 2005 and the first quarter of 2006 was a decrease of 13.32 per cent.

FSCO made further improvements to its web-based auto insurance e-filing system – the Automated Rates and Classifications Technical Information Communication System (ARCTICS) – and then launched the system industry-wide in May 2005. Insurers submitted just under 20 per cent of filings electronically during the year, with usage increasing steadily following launch of the system.

## **Last-Resort Protection for Accident Victims**

FSCO administers the Motor Vehicle Accident Claims Fund (MVACF) to assist victims of automobile accidents involving uninsured or unidentified vehicles. MVACF provides compensation in such cases provided no other insurance coverage is available.

MVACF is financed by a three-dollar levy on each Ontario driver's licence issued or renewed annually. MVACF also recovers third-party liability payments from uninsured motorists responsible for accidents, and arranges for the suspension of the driver's licences of motorists who are in default.

MVACF's financial statements appear on pages 65-75 in this annual report.

### Automobile Insurance Rate Filings Processed

Private-Passenger Automobile	2005-2006				2004-2005			
	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #	Major Filings #	Simplified Filings #	CLEAR Filings #	Total #
Rate filings processed	31	22	58	<b>111</b>	41	51	24	<b>116</b>
Filings with rate increases	6	-	-	<b>6</b>	3	-	-	<b>3</b>
Filings with rate decreases	20	19	49	<b>88</b>	32	45	17	<b>94</b>
Filings with no change to rate levels	5	3	9	<b>17</b>	6	6	7	<b>19</b>
Average Number of Days to Review and Approve Filings*	10	11	24	<b>18</b>	16	10	9	<b>12</b>

\* Average number of days is calculated from date of last information received on the filing.

### Automobile Insurance Rate Filings Processed

Non-Private-Passenger Automobile	2005-2006 #	2004-2005 #
Rate Filings Processed	190	193
Filings with Rate Increases	33	31
Filings with Rate Decreases	109	106
Filings with No Change to Rate Levels	48	56
Average Number of Days Between Receipt of Filing and Filing Considered Complete	42	11
Average Number of Days to Review and Authorize Filings	18	31





Ontario

**Motor Vehicle Accident Claims Fund**

<b>Measure</b>	<b>2005-2006</b>	<b>2004-2005</b>
New Claims Reported (#)	508	574
Total Cash Payouts	\$9.2 million	\$10.7 million
Total Statutory Accident Benefits Claims Paid (#)	408	425
Total Statutory Accident Benefits Payments	\$5.1 million	\$6.9 million
Total Third Party Liability Claims Paid (#)	126	151
Total Third-Party Liability Payments for Bodily Injury and Property Damage	\$4.1 million	\$3.8 million
Collection of Repayments	\$1.7 million	\$1.8 million
Suspended Driver's Licences (#)	492	495
Reinstated Driver's Licences (#)	305	316
Repayments Processed (#)	9,508	10,310
Debtors Making Payments (#)	1,078	1,175
Active Accounts Receivable (#)	1,488	1,717

## Resolving Automobile Accident Benefits Disputes

As an alternative to the courts, FSCO provides timely, cost-effective dispute resolution services for claimants and insurers who disagree about entitlement to statutory accident benefits or the amount of benefits. FSCO's dispute resolution services originated in 1990 in tandem with the no-fault automobile insurance system. A full range of options is offered – including mediation, arbitration, neutral evaluation, appeal of arbitration decisions, and variation or revocation of arbitration or appeal decisions.

Mediation at FSCO is the mandatory first step in resolving a dispute about accident benefits. If mediation is unsuccessful, the claimant can take the dispute to arbitration at FSCO, either party can commence a court case, or both parties can agree to send the dispute to private arbitration. The decision of a FSCO arbitrator can be appealed by either party to FSCO's Director of Arbitrations on a question of law. There is no further appeal from a decision of the Director or delegate, although judicial review may be possible. FSCO's variation/ revocation process can be invoked where the insured person's condition has changed, new evidence has emerged or the order contains an error.

### Mediation and Arbitration Patterns Continue

Trends in the demand for dispute resolution services observed in 2004-2005 continued through 2005-2006. Fewer mediation applications were filed, but arbitration applications increased sharply. Mediation applications in 2005-2006 were down 9 per cent from the previous year. Although the settlement rate for mediation held relatively steady – with 36 per cent of cases fully settled and 17 per cent partially settled – the number of cases going to arbitration continued to rise.

In 2005-2006, FSCO received 3,100 arbitration applications, up 17 per cent from 2004-2005. This unprecedented volume also reflected the growth in previous years, with the 2005-2006 total representing a 78 per cent increase from 2002-2003. This upward trend appears due to a combination of factors – such as the high volume of mediation cases prior to legislative changes in 2003; restrictions on early settlements imposed by the 2003 amendments, so fewer cases are fully resolved at mediation; and a higher proportion of unsuccessful mediations going to FSCO arbitration (as opposed to court, private arbitration or no formal process).

FSCO has adjusted staffing and processes to keep pace with the changing demand. In arbitration, more pre-hearings and hearings were held, more cases were settled and more files were closed in 2005-2006 than in any of the previous three years. Most notably, 2,484 cases were settled in 2005-2006 – 35 per cent more than the year before. Nevertheless, the number of pending or open arbitration files grew steadily to 2,680 by year end.

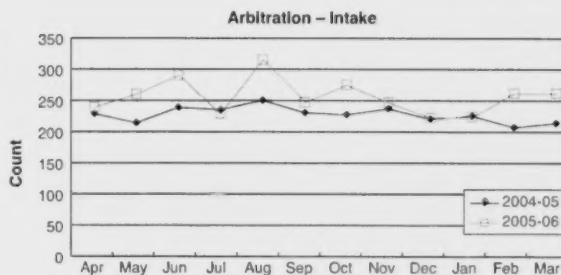
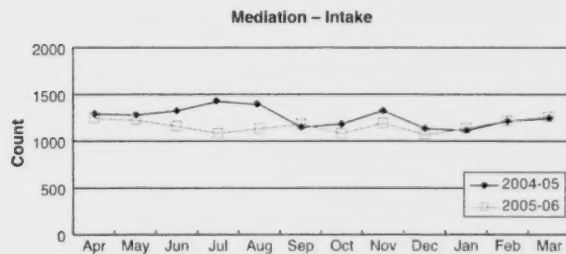
Once hearings were held, FSCO continued to release most arbitration decisions on time. Sixty-six per cent of decisions were issued within the published time frame of 85 days after the conclusion of the hearing, though this proportion was down from 73 per cent in the previous two years. The median time for issuing a decision was up somewhat – to 57 days from 44 days the year before.

FSCO arbitrators and appeals officers released many significant decisions during 2005-2006, interpreting various aspects of the *Insurance Act* and the Statutory Accident Benefits Schedule (SABS). All FSCO arbitration and appeal decisions are posted on the FSCO website. The interpretation of "catastrophic impairment" was an issue of particular activity and significance during the year. The legislation includes a definition of catastrophic impairment and claimants with injuries meeting this definition may have access to a higher level of benefits.



Although there is no appeal from FSCO arbitration or appeal decisions to the courts, the courts can get involved through an application for judicial review. One issue in these cases is the appropriate standard

of review for the courts to apply. During 2005-2006, the courts held that they will only intervene if the decision is "patently unreasonable," at least for cases interpreting the SABS.



### Dispute Resolution Services Activities

Measure	2005-2006 #	2004-2005 #
<b>Mediation</b>		
New applications received	12,724	14,047
Cases closed	13,212	14,155
Settlement rate — full	36%	37%
Settlement rate — partial	17%	18%
<b>Arbitration</b>		
New applications received	3,100	2,654
Cases closed	2,699	2,040
Settled	2,484	1,834
Decisions issued	177	144
<b>Appeals</b>		
New applications received	44	40
Cases closed	45	55
Settled	7	9
Decisions issued	18	25

## Policy Development

FSCO plays a two-fold role in policy development. It makes recommendations to the government for changes in laws and regulations to reflect business and consumer trends in the regulated sectors. It also develops regulatory policy to guide the ongoing administration of the legislation in its mandate.

In shaping policy, FSCO relies on input from consumers, the industry and other stakeholders. Regular communication and consultation occur through both advisory committees and more informal channels. Ongoing stakeholder relationships help FSCO identify and understand issues and recommend workable policy solutions.

### Coordinating Regulation at the National Level

In response to evolving market realities, FSCO supports the harmonization of financial services regulation nationwide. FSCO takes a leadership role and provides staff support for the Canadian Council of Insurance Regulators (CCIR), the Canadian Association of Pension Supervisory Authorities (CAPSA), the General Insurance Statistical Agency (GISA) and the Joint Forum of Financial Market Regulators (Joint Forum). The Joint Forum includes representatives of CCIR, CAPSA, the Canadian Securities Administrators (CSA) and the Canadian Insurance Services Regulatory Organizations (CISRO).

#### **CAPSA Highlights**

FSCO chairs CAPSA's initiative to develop a model pension law for consideration by governments across the country. Extensive national consultations were held in 2004 on proposed regulatory principles for such a model law. During this process, many of these principles – chiefly those related to plan administration and basic entitlements – were viewed as non-contentious. CAPSA worked with a stakeholder task force throughout 2005 to turn the non-contentious principles into detailed standards

and in early 2006 began developing model regulations based on these standards.

FSCO led CAPSA's strategic planning process for the three-year period 2006-2008. A new strategic plan was developed to direct CAPSA's activities.

#### **CCIR Highlights**

In 2005-2006, FSCO continued to lead the joint CCIR-CISRO Industry Practices Review Committee on relationships between insurers and agents and brokers. The committee released three discussion papers during the year. The final paper expressed three principles for protecting consumers from potential conflicts of interest involving insurance advice or transactions: priority of the client's interest; disclosure of conflict or potential conflict; and product suitability. Pending the outcome of consultations, the committee planned to recommend adoption of these principles.

As well, FSCO played a central role in the joint CCIR-CISRO Reciprocal Licensing Committee established to streamline and harmonize agent and broker licensing. During the year, the committee conducted an industry consultation on a reliance model for reciprocal licensing. Under the model, to be implemented in July 2006, a host jurisdiction will rely on most of the requirements of the agent's home jurisdiction but can request that the agent meet some further requirements. The committee also recommended standards for continuing education and errors and omissions insurance – key aspects of qualification for licensing. Harmonizing these standards would facilitate the introduction of a reciprocal licensing system.

FSCO chairs the CCIR Risk-based Market Conduct Regulation Committee, formed to develop a common approach to market conduct regulation that fits Canadian market oversight and supervisory requirements. The committee developed fundamental principles for a common approach to market conduct regulation – such as recognition of the benefits of



collaborating on market conduct reviews and the need to make market oversight more progressive, transparent and risk-based.

Under CCIR auspices, FSCO and the Autorité des marchés financiers in Quebec harmonized the collection and reporting of insurance company complaint data. A new single-entry, web-based system was introduced in October 2005 for companies reporting complaint information to the two regulators. The objective is to reduce the regulatory burden on companies while collecting meaningful complaint data that can provide insight into market practices as part of a risk-based approach to regulation. Other jurisdictions will be invited to join the system in the future.

FSCO also led consultations with stakeholders on the CCIR Discussion Paper on Privilege and Whistle-Blower Protection. Privilege would mean that documents created in the process of an insurer risk self-assessment would not be required to be produced in civil litigation. The goal of the whistle-blower provisions is to protect persons who volunteer information about wrongdoing in the insurance industry. A CCIR working group will decide whether to make recommendations on these issues to support risk-based regulation.

### **GISA Highlights**

In early 2004, CCIR established a working group to consider options for enhanced governance of the system for collecting and reporting automobile insurance statistical information. FSCO chaired this working group.

This national initiative led to the incorporation of an independent entity, GISA, in June 2005 to improve the timeliness, quality and value of statistical data generated by insurers. GISA acts as the statistical agent designated by eight provincial and territorial jurisdictions to collect data and report information about the automobile insurance industry. GISA has a governing board of directors that includes eight

regulators, three industry representatives and two members of the public. The CEO of FSCO is the chair of the GISA board.

### **Joint Forum Highlights**

Capital Accumulation Plans (CAPs) are tax-assisted investment or savings plans that permit members to choose among investment options. Examples include defined contribution pension plans and group registered retirement savings plans. FSCO led a long-term initiative to develop Guidelines for CAPs released by the Joint Forum in spring 2004. The guidelines are intended to see that plan members receive the information and assistance they need to make investment decisions. Regulators gave CAP sponsors and service providers until December 31, 2005 to ensure that their plans operate in accordance with the guidelines.

FSCO led the process for developing the Joint Forum's strategic plan, published in May 2005. The plan established the following strategic priorities for the next three years: intermediary regulation; consumer redress; regulatory mechanisms for improved information sharing; consumer information and education; and product regulation. FSCO participates in or leads ongoing Joint Forum projects that address each of these priorities.

### **Improving Ontario's Regulatory Framework**

In 2005-2006, FSCO participated in several policy projects to enhance Ontario's regulatory framework for financial services.

FSCO and the Ministry of Finance continued to work with the co-operative corporations sector to develop regulations to complement amendments to the *Co-operative Corporations Act* included in the *Budget Measures Act (Fall), 2004*, as well as other amendments to regulations under the *Co-operative Corporations Act*.

FSCO also advised and assisted the ministry with the review of the *Mortgage Brokers Act* and the drafting of proposed new legislation – *the Mortgage Brokerages, Lenders and Administrators Act, 2006*. The aim of the proposed act is to enhance consumer protection, modernize regulation and encourage greater competition and choice for consumers. In addition, FSCO worked with the ministry and the Deposit Insurance Corporation of Ontario to modernize the regulation of credit unions and caisses populaires, leading up to the government's release of a consultation paper to gather stakeholder input.

As well, FSCO staff advised other ministries on legislative changes affecting areas within FSCO's mandate. For example, FSCO provided input to the Ministry of Municipal Affairs and Housing on changes to Ontario's building regulatory system regarding co-operative housing and insurance requirements for construction contractors.

Also in 2005-2006, FSCO supported further automobile insurance reform as outlined in the section of this annual report on Support for the Automobile Insurance System. Regulatory policies to guide the administration of pension legislation are discussed in the section on Overseeing Pension Plans.

As part of its effort to monitor emerging trends and issues, FSCO continued to develop contacts and working relationships with regulators in other countries. A number of international regulators visited Ontario and met with FSCO staff. These visits allowed FSCO to exchange intelligence and share best practices with colleagues in other jurisdictions.



## Consumer Protection through Information

In today's financial marketplace consumers have more choice than ever before. Whether it's saving for retirement, buying auto insurance or negotiating a mortgage, the options are many, the products are often complex, and the decisions can have lasting consequences. For these reasons, consumer education is a crucial aspect of consumer protection in the financial services industry. FSCO provides access to current, accurate and balanced information to educate consumers to make informed choices.

### Website Overhauled to Meet User Needs

FSCO's website – [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca) – is FSCO's principal channel for communicating with the public. Given the website's value, FSCO undertook a redesign to make the site easier to use and understand, improve the organization of information and better meet consumer and industry needs. The revamped website was launched in late summer 2005, featuring:


- updated content, including consumer information and tips;
- an improved look and feel;
- easier navigation routes to reach information quickly;
- a new advanced search capability; and
- enhanced functionality, such as print-this-page and e-mail-this-page options.

Navigation is now remarkably convenient. With just a mouse click or two, users can get the facts on a host of topics such as:

- how to shop for and compare auto insurance rates;
- what to do after an auto accident;
- how FSCO can help resolve auto accident benefits disputes;
- how to withdraw money from a locked-in retirement savings account;
- the status of a pension plan and who administers it;
- how to become a mortgage broker;
- ways to reduce homeowners insurance costs; and
- information and services for professionals in the financial services industry.

The website redesign was guided by extensive research and analysis. FSCO consulted a range of stakeholders including consumers, financial service providers and other regulators for advice on how the site could be improved. FSCO also analysed website usage and visitor choices to shape layout and navigation features.

A campaign was mounted to announce and build consumer awareness about the new website. It involved postal inserts, web teasers, a media release, print articles, TV and radio segments, e-alerts to key stakeholders, letters to MPPs, promotional items and demonstrations. Print and online advertising reached an estimated audience of 4 million.




**Coming August 2005!**

## FSCO's New Website

## Now It's Easier to Get the Facts!

[www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca)

insurance  
pensions
mortgage brokers
co-operatives  
caisses populaires
loan and trust  
credit unions



Financial Services  
Commission  
of Ontario



## Media Strategy Has Wide Impact

FSCO arranged for a series of consumer articles on auto insurance and other financial services to be distributed to Ontario's daily and community newspapers. Topics included FSCO's new website, Auto Insurance 101 (the basics of auto insurance), auto accident forgiveness, insurance for high-risk drivers, protections for consumers buying auto insurance, tips to reduce homeowners insurance costs and access to locked-in retirement funds. These informative inserts were picked up widely across the province, reaching an estimated total audience of more than 13.9 million.

Broadcast media were also deployed to communicate FSCO's messages. A television news segment on the launch of FSCO's redesigned website reached an estimated 418,000 viewers, while a radio news segment produced by FSCO on insurance coverage for older homes aired to an estimated 495,000 listeners.

## New Consumer Publications Released

In early 2006, FSCO published a series of new consumer brochures including five insurance titles:

- *Auto Insurance Consumers' Bill of Rights*
- *Don't Get Scammed Buying Auto Insurance*
- *Understanding Insurance for Motorcycles, Snowmobiles and Other Motor Vehicles*
- *Shopping for Travel Medical Insurance*
- *Understanding Critical Illness Insurance*

All of the brochures were posted electronically on FSCO's website and four of the five publications were produced in print versions. Partnerships were arranged to distribute the print materials free of charge through Publications Ontario's two bookstores, 63 Government Information Centres and public libraries.

FSCO also completed *A Guide to Applying for Special Access*, on how to access funds in a locked-in

retirement savings account, as well as a major revision of the popular *Your Pension Rights: A Guide for Members of Registered Pension Plans in Ontario*. These brochures were published both in print and on the FSCO website.

Overall, orders for FSCO publications remained strong in 2005-2006. Requests from industry associations, consumer groups and MPP constituency offices numbered more than 20,000.

## FSCO at Consumer Shows

The launch of the new brochures took place in conjunction with a strong FSCO presence at the Canadian International Auto Show in Toronto in February 2006. The Auto Show is FSCO's main opportunity for direct interaction with consumers. FSCO hosted an exhibit booth on "Auto Insurance: Get the Facts!" with staff on hand to answer questions, distribute print materials and demonstrate online products. FSCO connected with 4,000 consumers during the show.

Earlier in the fiscal year, in April 2005, FSCO took part in the National Home Show in Toronto, billed as the largest home show in North America. Eleven hundred consumers visited FSCO's exhibit booth on the theme "Get the Facts on Insurance" where staff answered questions and distributed a series of new fact sheets on homeowners insurance. Titles included:

- *Ways to Reduce Your Homeowners Insurance Premium*
- *Beware of Exclusions: What Your Homeowners Insurance Policy Doesn't Cover*
- *Take Inventory of Your Home*
- *Insurance Coverage Issues Affecting Older Homes.*

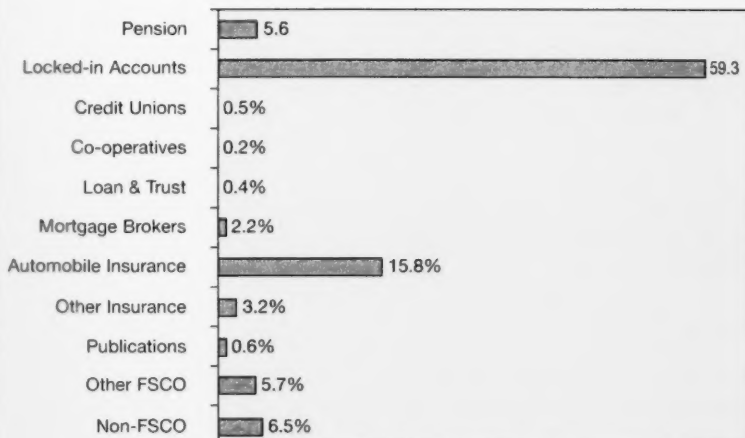


## Consumer Contact Centre

FSCO's consumer services staff are the first point of contact with FSCO, whether by telephone, email, fax or walk-in.

During 2005-2006, staff responded to 54,000 inquiries about FSCO's processes, procedures and the legislation and regulations administered. The majority of inquiries concerned how to access locked-in retirement savings accounts in case of financial hardship and requests for application forms for unlocking

**Inquiries to FSCO by Subject**



## **Getting the Most from Organizational Resources**

FSCO recognizes that it is accountable to its stakeholders for the efficiency and quality of the regulatory services it delivers. This is why FSCO is committed to obtaining the maximum value from its human, financial, technological and physical resources.

### **Business Planning Ongoing**

FSCO continued to enhance its planning processes during 2005-2006. An agency business plan covering a three-year horizon is being developed that will outline the resources needed to meet FSCO's priorities over this period.

### **Activity-Based Costing**

Work continued to design an activity-based costing (ABC) model as FSCO analyzed key activities and associated costs. When implemented, using specialized software, the ABC model will provide FSCO with a tool to measure costs by activity and by sector to guide cost recovery through fees and assessments.

## **IT Systems under Redevelopment**

FSCO is redeveloping its information technology systems. During the year, FSCO proceeded with work to transfer all systems to a new technology platform over a three-year period.

### **Accommodation Review**

A review of FSCO's accommodation needs and priorities continued. On FSCO's behalf, the Ontario Realty Corporation leased additional storage and office space at FSCO's current location at 5160 Yonge Street in Toronto. The Motor Vehicle Accident Claims Fund will be relocated to the new space on the eighth floor.



## Report of the Financial Services Tribunal

The Financial Services Tribunal (FST) is an independent adjudicative body that hears appeals of decisions and reviews proposed decisions of the Superintendent of Financial Services. Proceedings are conducted at the request of affected parties. The FST has exclusive jurisdiction to exercise the powers conferred on it by legislation and to determine all questions of fact or law that arise in a proceeding before it.

The FST is composed of the Chair and two Vice-Chairs (who are also the Chair and Vice-Chairs of FSCO) and from six to 12 additional members, all appointed by the Lieutenant Governor in Council. Biographical sketches of current FST members may be found on the FST's website at [www.fstontario.ca](http://www.fstontario.ca).

The FST is committed to providing an expert, impartial hearing process that is accessible, prompt and fair. Its proceedings are guided by its own Rules of Practice and Procedure and Practice Directions, as well as by the *Statutory Powers Procedure Act*. The FST has adopted streamlined procedures to expedite requests for hearings on decisions by the Superintendent regarding access to locked-in funds in cases of financial hardship.

During the year, the FST continued to develop conflict of interest guidelines for its members. A Legal Advisory Committee acts as a sounding board on issues relating to the FST's adjudication functions.

The FST's hearing schedule and decisions, along with its Rules of Practice and Procedure and Practice Directions, are posted online on the FST website at [www.fstontario.ca](http://www.fstontario.ca) for the convenience of hearing participants.



### **Financial Services Tribunal Activities 2005-2006**

<b>Activity</b>	<b>Pension Matters (Excluding Financial Hardship)</b>	<b>Pension Matters (Financial Hardship)</b>	<b>Mortgage Brokers Matters</b>	<b>Insurance Matters</b>	<b>Loan &amp; Trust Matters</b>	<b>Total</b>
Number of Cases Pending at Beginning of Fiscal Year	24	–	–	4	1	29
Number of New Cases Received	14	–	2	6	–	22
Number of Oral Hearing Days Held	6	–	–	17	–	23
Number of Written Hearings	2	–	–	–	–	2
Number of Other Activity Days, Including: Pre-Hearing Conferences, Telephone Conferences, Settlement Conferences and Motions	22	–	2	11	5	40
Total Hearing (Oral and Written) and Activity Days before FST	30	–	2	28	5	65
Files Closed	13	–	1	4	1	19
Number of Cases Pending at End of Fiscal Year	25	–	1	6	0	32

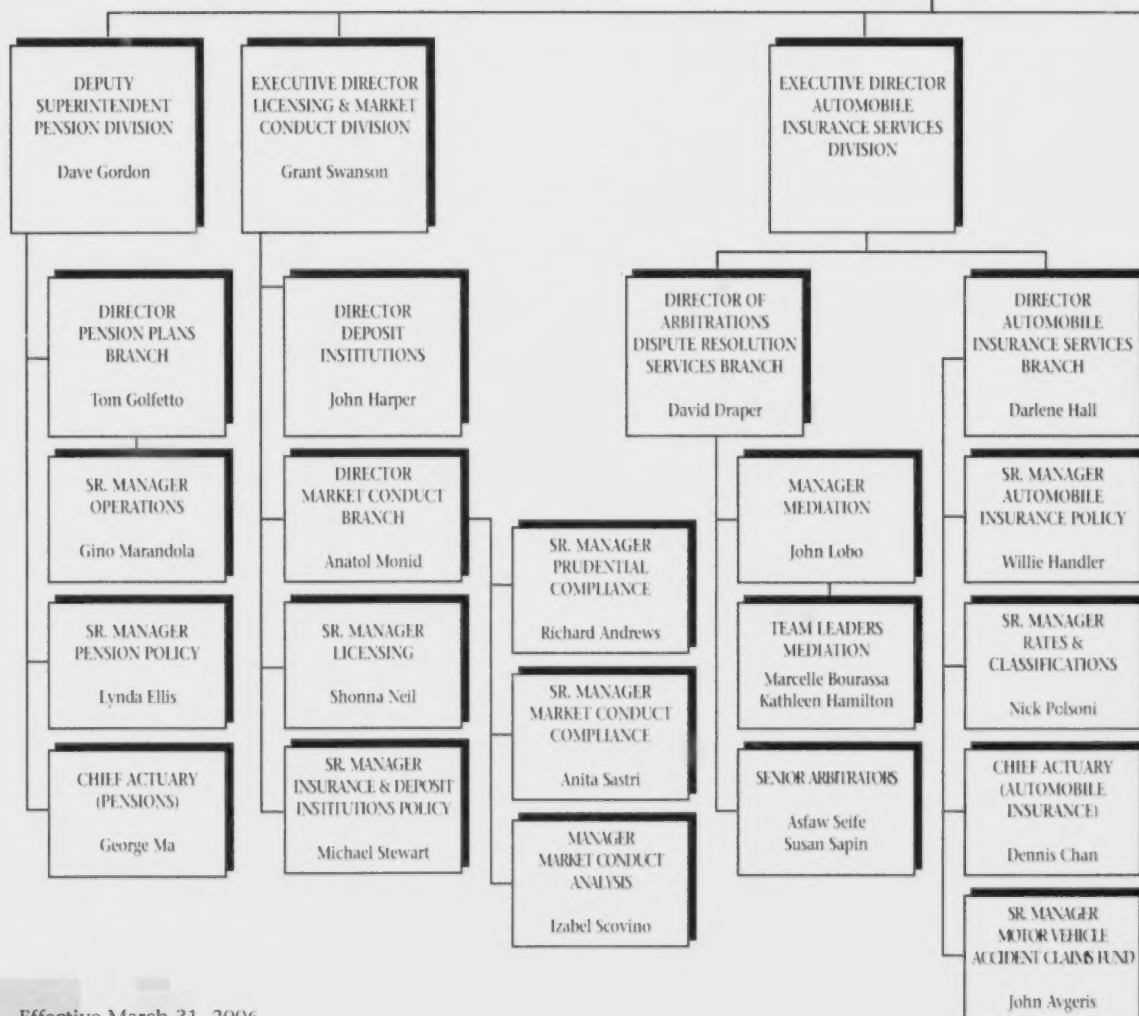
Notes:

1. Table does not include FST quarterly meetings, days for deliberation or decision writing.
2. Numbers may reflect activity in respect of files opened prior to 2005-2006 fiscal year.
3. Written hearings may relate to financial hardship matters, motions, requests for costs or requests for a review of a decision.



# CEO/SUPERINTENDENT FINANCIAL SERVICES COMMISSION

Bob Christie

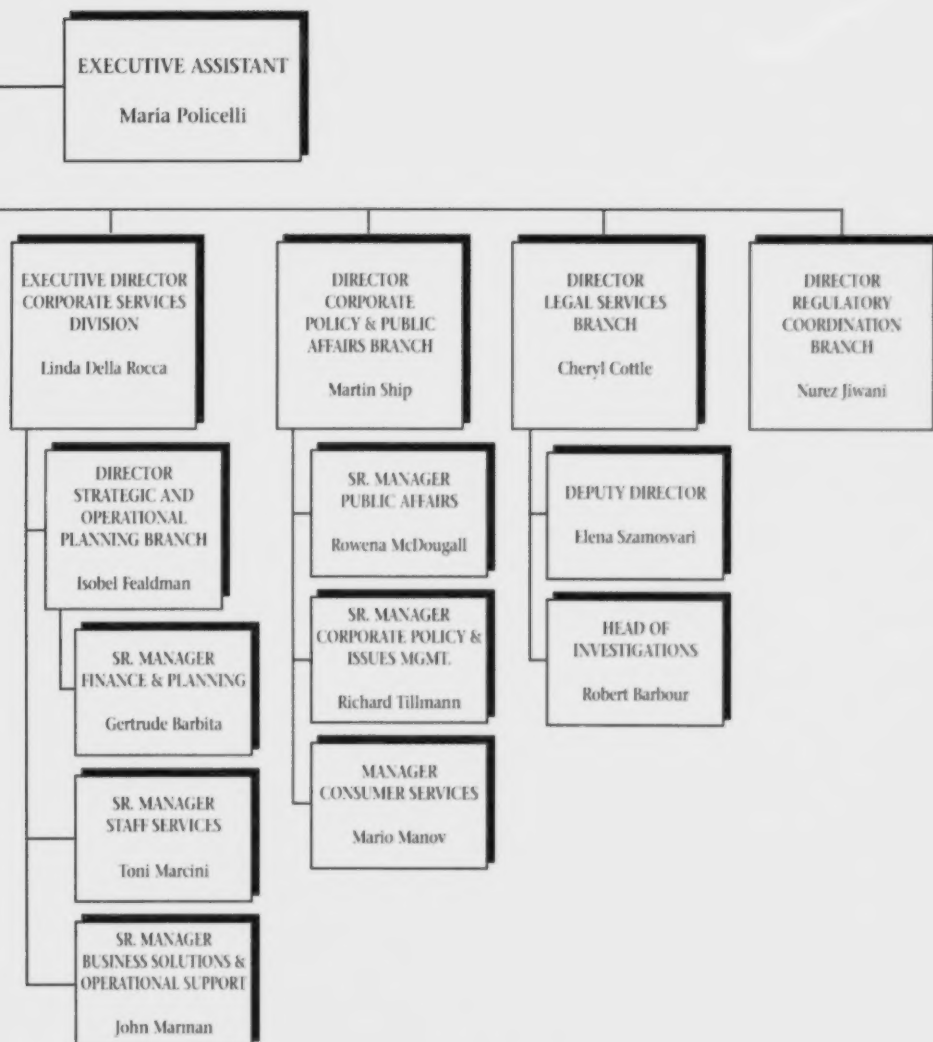


Effective March 31, 2006



# Financial Services Commission of Ontario

## Organization Chart









Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

## **FINANCIAL SERVICES COMMISSION OF ONTARIO**

### **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED MARCH 31, 2006**

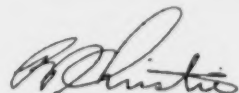
## Management's Responsibility for Financial Information

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. Under the Act the Superintendent is responsible for the financial and administrative affairs of the Commission.

Under the direction of the Superintendent, Management of the Commission is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of the Commission is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.



Bob Christie  
Chief Executive Officer and  
Superintendent of Financial Services



Isobel Fealdman  
Director, Strategic & Operational Planning



Office of the auditor General of Ontario  
*Bureau du vérificateur général de l'Ontario*

### ***Auditor's Report***

To the Financial Services Commission of Ontario  
and to the Minister of Finance

I have audited the balance sheet of the Financial Services Commission of Ontario as at March 31, 2006 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2006 and the results of its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor  
20 Dundas Street West  
Toronto, Ontario  
M5G 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105, 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
M5G 2C2  
416-327-2381  
télécopieur 416-326-3812

[www.auditor.on.ca](http://www.auditor.on.ca)

Toronto, Ontario  
November 24, 2006

Gary R. Peall, CA  
Deputy Auditor General

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## BALANCE SHEET

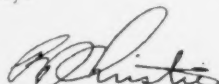
As at March 31, 2006

	2006	2005 Restated (Note 11)
	\$	\$
<b>ASSETS</b>		
Current		
Cash	11,750	11,000
Accounts receivable	42,510,359	33,617,374
Prepaid expenses	69,165	112,606
	<u>42,591,274</u>	<u>33,740,980</u>
Capital assets, net (Note 3)	3,141,427	3,211,015
<b>Total Assets</b>	<u>45,732,701</u>	<u>36,951,995</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current		
Accounts payable and accrued liabilities	6,912,614	6,096,966
Long term		
Employee future benefits obligation (Note 11)	4,949,311	4,476,239
Deferred revenue (Note 4)	4,416,114	4,752,971
Total liabilities	<u>16,278,039</u>	<u>15,326,176</u>
Net Assets		
Invested in capital assets	3,141,427	3,211,015
Investment by the Province	26,313,235	18,414,804
Total net assets	<u>29,454,662</u>	<u>21,625,819</u>
<b>Total Liabilities and Net Assets</b>	<u>45,732,701</u>	<u>36,951,995</u>

Commitment and Contingencies (Note 8)

See accompanying notes to the financial statements.

Approved by:



Chief Executive Officer and  
Superintendent of Financial Services



## FINANCIAL SERVICES COMMISSION OF ONTARIO

### STATEMENT OF OPERATIONS

For the Year Ended March 31, 2006

	2006	2005 Restated (Note 11)
	\$	\$
<b>Revenue</b> (Note 5)		
Assessments	26,461,951	24,168,723
Annual fees for pension plans	12,136,681	11,535,101
Fees and licences	6,721,429	6,509,725
Registrations	2,155,399	1,456,308
Other	256,402	214,026
	<u>47,731,862</u>	<u>43,883,883</u>
<b>Expenses</b>		
Salaries and wages	28,193,773	25,394,962
Employee benefits (Note 6a)	5,862,112	5,855,420
Transportation and communication	749,567	795,082
Services	13,854,531	11,975,999
Supplies and equipment	943,601	753,908
Amortization	1,557,819	1,618,923
Bad debt expense	—	72,746
	<u>51,161,403</u>	<u>46,467,040</u>
Less: Recoveries (Note 7)	<u>2,751,280</u>	<u>2,610,023</u>
	<u>48,410,123</u>	<u>43,857,017</u>
<b>Excess/(deficiency) of revenue over expenses</b>	<u>(678,261)</u>	<u>26,866</u>

See accompanying notes to the financial statements.

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## STATEMENT OF CHANGES IN NET ASSETS For the Year Ended March 31, 2006

	2006			2005 Restated (Note 11)
	\$			\$
	Invested in Capital Assets	Investment by the Province	Total	Total
<b>Balance, beginning of year, as restated</b>	3,211,015	18,414,804	21,625,819	27,751,729
Acquisition of capital assets	1,919,737	(1,919,737)	—	—
Excess/(deficiency) of revenue over expenses	(1,989,325)	1,311,064	(678,261)	26,866
Contribution from the Province (Note 6b)	—	8,507,104	8,507,104	(6,152,776)
Balance, end of year	3,141,427	26,313,235	29,454,662	21,625,819

See accompanying notes to the financial statements.



## FINANCIAL SERVICES COMMISSION OF ONTARIO

### STATEMENT OF CASH FLOWS

For the Year Ended March 31, 2006

	2006	2005 Restated (Note 11)
	\$	\$
<b>NET INFLOW (OUTFLOW) OF CASH RELATED TO THE FOLLOWING ACTIVITIES</b>		
<b>Cash flows from operating activities</b>		
Excess/(deficiency) of revenue over expenses	(678,261)	26,866
Amortization	1,557,819	1,618,923
Write-off of capital assets	431,506	
	<u>1,311,064</u>	<u>1,645,789</u>
<b>Changes in non-cash working capital</b>		
Accounts receivable	(8,892,985)	3,184,783
Prepaid expenses	43,441	(16,839)
Accounts payable	815,648	1,130,471
Employee future benefits obligation (Note 11)	473,072	496,586
Deferred revenue	(336,857)	1,252,338
	<u>(7,897,681)</u>	<u>6,047,339</u>
<b>Cash flows from financing activity</b>		
Contribution from the Province	<u>8,507,104</u>	<u>(6,152,775)</u>
<b>Cash flows from investing activity</b>		
Purchase of capital assets	<u>(1,919,737)</u>	<u>(1,536,353)</u>
<b>Net change in cash position</b>	750	4,000
<b>Cash position, beginning of year</b>	11,000	7,000
<b>Cash position, end of year</b>	<u><u>11,750</u></u>	<u><u>11,000</u></u>

See accompanying notes to financial statements.



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# FINANCIAL SERVICES COMMISSION OF ONTARIO

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

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### 1. OPERATIONS OF THE COMMISSION

The Financial Services Commission of Ontario (Commission) was established under the *Financial Services Commission of Ontario Act, 1997*. The Commission's mandate is to enhance consumer confidence and public trust in Ontario's regulatory activities governing insurance, pensions, credit unions, trust companies, caisses populaires, co-operatives and mortgage brokers, and also to make recommendations to the Minister of Finance on matters affecting the regulated sectors. The Commission administers the following legislation: *Insurance Act, Pension Benefits Act, Credit Unions and Caisses Populaires Act, Loan and Trust Corporations Act, Mortgage Brokers Act and Co-operative Corporations Act*.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

#### (a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset, beginning in the year following acquisition, as follows:

Office furniture and equipment	5 years
Computer hardware and related software	2 years
Leasehold improvements	over term of the lease

#### (b) Revenue Recognition

Assessment revenues from insurance, credit unions, caisses populaires and the loan and trust sectors are recognized when the recoverable costs to administer the various Acts governing these sectors are incurred. The amounts are based on estimated recoverable costs because the actual recoverable costs from the various sectors cannot be determined until the following year.

The Commission recognizes the annual assessment fee due from each pension plan registered in the province based on an estimate because the actual fee cannot be determined until the pension plan files its annual information return six to nine months after the plan's fiscal year end.

Adjustments to revenue, if any, between the amounts recognized based on estimates and actual revenues, are charged or credited in the year when the actual amounts are determined.

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### (c) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amount of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses for the period. Actual amounts could differ from these estimates.

### 3. CAPITAL ASSETS

	2006 (S000)		2005 (S000)	
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Computer hardware	1,921	1,257	664	646
Computer software	2,625	2,257	368	1,214
Office furniture and equipment	86	73	13	30
Leasehold improvements	3,557	3,129	428	-
Computer software under development	1,668	-	1,668	1,321
	9,857	6,716	3,141	3,211

### 4. DEFERRED REVENUE RELATED TO LICENCES AND REGISTRATION

Deferred revenue represents payments received for fees, licences and registrations that cover more than the current fiscal year. The deferred portion is recognized as revenue when the applicable future licence year occurs. The changes in deferred revenue balances are as follows:

	Balance, beginning of year	Received during year	Recognized during year	Balance, end of year
	(S000)			
Insurance agents	3,024	2,575	3,022	2,577
Adjusters	19	85	86	18
Mortgage Brokers	899	2,276	1,997	1,178
Corporations	811	600	768	643
	4,753	5,536	5,873	4,416



# FINANCIAL SERVICES COMMISSION OF ONTARIO

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

### 5. REVENUE

For the fiscal year, revenue from the following Acts and regulations made under the Acts administered by the Commission are:

	2006 (\$000)	2005 (\$000)
<i><b>Insurance Act</b></i>		
Insurer assessment	24,984	23,015
Fees, licenses and other	4,383	4,236
<i><b>Pension Benefits Act</b></i>		
Annual information return filing fees and registration fees	12,295	11,673
Pension unlocking fees and other	2,385	2,239
<i><b>Credit Unions and Caisses Populaires Act</b></i>		
Credit Union assessment	1,091	906
Fees and other	159	222
<i><b>Loan and Trust Corporations Act</b></i>		
Loan and Trust assessment	386	248
Fees, licenses and registrations	31	29
<i><b>Mortgage Brokers Act</b></i>		
Registrations and other	2,000	1,302
<i><b>Co-operative Corporations Act</b></i>		
Fees and other	16	14
	<u>47,732</u>	<u>43,884</u>



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## FINANCIAL SERVICES COMMISSION OF ONTARIO

### NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

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#### 6. RELATED PARTY TRANSACTIONS

##### (a) Employee Benefits

The Commission's employees are entitled to benefits that have been negotiated centrally for Ontario Public Service employees. The future liability for benefits earned by the Commission's employees is recognized in the Province's consolidated financial statements. These benefits are accounted for by the Commission as follows:

##### i. Pension Benefits

The Commission provides pension benefits for all its permanent employees through participation in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU Pension Fund) which are both multi-employer defined benefit pension plans established by the Province of Ontario. For the year ended March 31, 2006, the Commission incurred \$1,826,634 (2005 \$1,734,417) in costs in respect of these pension plans. These costs are included as employee benefits in the Statement of Operations.

##### ii. Employee Future Benefits Obligation

The costs of any legislated severance and unused vacation entitlements earned by employees are recognized when earned by eligible employees. Legislated severance was non-actuarially estimated based on one weeks pay for every year of service for those employees with a minimum of five years of service. These costs for the year amount to \$519,545 (2005 \$472,288) and are included in salaries and employee benefits in operating expenses.

##### iii. Other Non-Pension Post-Employment Benefits

The cost of other non-pension post-retirement benefits is determined and funded on an ongoing basis by the Ontario Ministry of Government Services and accordingly is not included in these financial statements.

##### (b) Contributions from the Province

Cash receipts are deposited into the Consolidated Revenue Fund (CRF) of the Province of Ontario. Expenses are paid out of monies appropriated therefore by the Legislature of the Province of Ontario. The excess of the cash drawn from the Commission's appropriation to pay expenses less the cash receipts deposited into the CRF is recorded as Contribution from the Province in the Statement of Changes in Net Assets. The Province's investment is increased to the extent expenses exceeded deposits.

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

### 6. RELATED PARTY TRANSACTIONS (cont'd)

#### (c) Other administrative expenses

Management Board of Cabinet absorbs the costs of certain administrative expenses. The Ministry of Finance has charged certain human resources and financial administration costs to the Financial Services Commission of Ontario in the amount of \$ 947,271 (2005 \$0).

### 7. RECOVERIES

The Commission provides administrative and other support services to a number of organizations and recovers the costs of providing these services from the organizations in accordance with the memorandum of understanding or agreement signed with the respective organizations. Details of these recoveries are as follows:

	2006 (\$000)	2005 (\$000)
Motor Vehicle Accident Claims Fund	1,733	1,607
Pension Benefits Guarantee Fund	407	375
Canadian Association of Pension Supervisory Authorities	172	173
Canadian Council of Insurance Regulators	181	194
Joint Forum of Financial Market Regulators	242	237
Canada Customs and Revenue Agency	16	24
	<u>2,751</u>	<u>2,610</u>

### 8. COMMITMENT AND CONTINGENCIES

(a) The Commission is committed to minimum lease payments for office space over the next three years as follows:

	(\$000)
2006/07	4,173
2007/08	4,235
2008/09	2,471
	<u>10,879</u>



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## FINANCIAL SERVICES COMMISSION OF ONTARIO

### NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2006

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#### 8. COMMITMENT AND CONTINGENCIES (cont'd)

- (b) The Commission is involved in various legal actions arising out of the ordinary course of business. Settlements paid by the Commission, if any, will be accounted for in the period in which the settlement occurs. The outcome and ultimate disposition of these actions are not determinable at this time.

#### 9. SECURITIES ON DEPOSIT

The *Insurance Act* authorizes the Commission to require insurance companies to deposit securities in any amount it considers necessary and on such conditions as it considers proper. Such amounts might be held to satisfy requirements of other jurisdictions with which the Province of Ontario has reciprocal agreements.

As at March 31, 2006, the face value of the securities held by the Commission under the *Insurance Act* was \$3.2 million (2005 \$6.95 million). Income earned on the securities is paid directly to the insurance companies depositing the securities. These securities and the related income are not recorded in the financial statements.

#### 10. FINANCIAL INSTRUMENTS

The carrying value of cash, accounts receivable, prepaid expenses, accounts payable and accrued liabilities, and deferred revenue approximates fair value due to the short-term nature of these instruments. It is management's opinion that the Commission is not exposed to significant interest, currency or credit risks arising from these financial instruments.

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2006

### 11. CHANGE IN ACCOUNTING POLICY

In prior years, the Corporation did not record the liabilities pertaining to the legislative severance and compensated absences components of its employee future benefit costs because these liabilities had been determined and recognized by the Province in its financial statements. While the Province continues to accrue for these costs each year and to fund them annually when due, the Auditor General has requested and management has agreed that the Commission also recognize the liability for these costs in these financial statements. This change in accounting policy was implemented in the current year and has been applied retroactively. The effect of this change is as follows:

	2005		2005
	Previously stated	Increase (Decrease)	Restated
	(S000)		
Accounts Payable	3,806	2,291	6,097
Employee Future Benefits Obligations		4,476	4,476
Excess of revenue over expenses	499	(472)	27
Investment by the Province	25,182	(6,767)	18,415

### 12. CHANGE IN COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.





Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

## **FINANCIAL SERVICES COMMISSION OF ONTARIO**

FINANCIAL STATEMENTS OF THE  
PENSION BENEFITS GUARANTEE FUND

FOR THE YEAR ENDED MARCH 31, 2006

## FINANCIAL SERVICES COMMISSION OF ONTARIO Pension Benefits Guarantee Fund

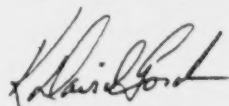
### Management's Responsibility for Financial Information

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act, 1997* is responsible for the administration of the Pension Benefits Guarantee Fund.

Under the direction of the Superintendent, Management of FSCO is responsible for the integrity and fair presentation of all information in the financial statements and notes. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements involves the use of management's judgement and best estimates particularly when transactions affecting the current period cannot be determined with certainty until future periods.

Management of FSCO, in the administration of the Pension Benefits Guarantee Fund, is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and safeguarding of its assets.

The financial statements have been audited by the Office of the Auditor General. The Provincial Auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. They have been approved by the Commission's Audit Committee. The Auditor's report follows.



K. David Gordon  
Deputy Superintendent of Pensions



Darinka Pejic  
Chief Accountant



Office of the Auditor General of Ontario  
Bureau du vérificateur général de l'Ontario

### *Auditor's Report*

To the Financial Services Commission of Ontario and to the Minister of Finance

I have audited the balance sheet of the Pension Benefits Guarantee Fund of the Financial Services Commission of Ontario as at March 31, 2006 and the statements of operations and fund deficit and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission's guarantee fund as at March 31, 2006 and its operations and its cash flows for the year then ended, in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor  
20 Dundas Street West  
Toronto, Ontario  
MSG 2C2  
416-327-2381  
fax 416-326-3812

B.P. 105, 15<sup>e</sup> étage  
20, rue Dundas ouest  
Toronto (Ontario)  
MSG 2C2  
416-327-2381  
télécopieur 416-326-3812

[www.auditor.on.ca](http://www.auditor.on.ca)

Toronto, Ontario  
May 26, 2006



Gary R. Peall, CA  
Deputy Auditor General

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## PENSION BENEFITS GUARANTEE FUND

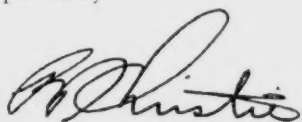
### BALANCE SHEET

As at March 31, 2006

	2006 (\$000)	2005 (\$000)
<b>ASSETS</b>		
Current		
Cash	158	357
Accounts receivable	63,977	68,419
Investments (Note 4)	79,093	223,161
	<u>143,228</u>	<u>291,937</u>
 <b>LIABILITIES AND FUND DEFICIT</b>		
Current		
Accounts Payable and accrued liabilities	5,402	5,751
Current portion of loan payable	11,000	11,000
Claims payable	104,064	204,624
	<u>120,466</u>	<u>221,375</u>
 Loan payable (Note 5)	<u>297,000</u>	<u>308,000</u>
	417,466	529,375
 Fund deficit	<u>(274,238)</u>	<u>(237,438)</u>
	<u>143,228</u>	<u>291,937</u>

See accompanying notes to financial statements.

Approved by:



Chief Executive Officer  
and Superintendent of Financial Services  
Financial Services Commission of Ontario



## FINANCIAL SERVICES COMMISSION OF ONTARIO

### PENSION BENEFITS GUARANTEE FUND STATEMENT OF OPERATIONS AND FUND DEFICIT For the year ended March 31, 2006

	2006 (5000)	2005 (5000)
<b>Revenue</b>		
Premium revenue	54,068	67,431
Investment income (Note 4)	5,580	7,894
Recoveries (Note 6)	6,652	19
	<u>66,300</u>	<u>75,344</u>
<b>Expenses</b>		
Claims	96,090	201,301
Pension management fees (Note 6)	5,887	2,358
Investment management fees	70	287
Administration fee (Note 7)	407	379
	<u>102,454</u>	<u>204,325</u>
<b>Deficiency of revenue over expenses</b>	(36,154)	(128,981)
Unrealized losses in the market value of investments	(646)	(1,277)
<b>Deficiency of revenue over expenses</b>	(36,800)	(130,258)
<b>Fund deficit, beginning of year</b>	<u>(237,438)</u>	<u>(107,180)</u>
<b>Fund deficit, end of year</b>	<u>(274,238)</u>	<u>(237,438)</u>

See accompanying notes to financial statements.

# FINANCIAL SERVICES COMMISSION OF ONTARIO

## PENSION BENEFITS GUARANTEE FUND

### STATEMENT OF CASH FLOWS

For the year ended March 31, 2006

	2006 (\$000)	2005 (\$000)
Net Inflow (Outflow) of cash related to the following activities		
<b>Cash flows from operating activities</b>		
Deficiency of revenue over expenses	(36,800)	(130,258)
Less items not affecting cash		
Unrealized loss on investments	646	1,277
	(36,154)	(128,981)
Changes in non cash working capital		
Accounts receivable	4,442	(7,306)
Accounts payable	(349)	1,627
Claims payable	(100,560)	(181,777)
	(132,621)	(319,691)
<b>Cash flows from investing activities</b>		
Purchases of investments	(1,166,405)	(1,500,855)
Proceeds from sale of investments	1,309,827	1,831,283
	143,422	(330,428)
<b>Cash flows from financing activities</b>		
Loan repayment	(11,000)	(11,000)
	(11,000)	(11,000)
<b>Change in cash position</b>	(199)	(263)
Cash position, beginning of year	357	620
Cash position, end of year	158	357

See accompanying notes to financial statements.



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# FINANCIAL SERVICES COMMISSION OF ONTARIO

## PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2006

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### 1. STATUTORY AUTHORITY

The Pension Benefits Guarantee Fund (the "Fund") is continued under the *Pension Benefits Act*, R.S.O. 1990, c. P.8 (the "Act").

### 2. FUND OPERATIONS

The purpose of the Fund is to guarantee payment of certain pension benefits of certain defined benefit pension plans wound up under conditions specified in the *Act* and regulations thereto. The regulations also prescribe an assessment payable into the Fund by plan registrants.

The Act provides that if the assets of the Fund are insufficient to meet payments for claims, the Lieutenant Governor in Council may authorize the Minister of Finance of Ontario to make loans on such terms and conditions as the Lieutenant Governor in Council directs. The total liability of the Fund to guarantee pension benefits is limited to the assets of the Fund plus any loans received from the Province.

The Superintendent of the Financial Services Commission of Ontario ("FSCO") pursuant to the *Financial Services Commission of Ontario Act*, 1997 is responsible for the administration and the investment of the assets of the Fund. The Fund reimburses FSCO for the cost of the services provided.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared by the management of FSCO in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

#### (a) Investments

Investments include short-term deposits and fixed income securities issued or guaranteed by the federal and provincial governments and Canadian corporations. Short-term deposits have maturities of less than twelve months. They are recorded at cost which approximates market. Investments in government and corporate bonds are stated at their quoted market value. In aggregate, they are considered short term in nature and can be liquidated at any time to cover claims against the Fund. Premiums or discounts are not amortized.

Unrealized gains or losses reflect the change in market value that has occurred by holding the investments over the year.



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## FINANCIAL SERVICES COMMISSION OF ONTARIO

### PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2006

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#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### (b) Claims payable

Claims payable are liabilities to those defined benefit pension plans prescribed by the Act that are wound up or in the process of being ordered wound up under conditions specified in the Act, and the amounts can be reasonably estimated. Claims payable are established according to accepted actuarial practice in Canada through an actuarial valuation using the best estimates of the management of FSCO and represent the present value of future payments to settle the claims for benefits and expenses by eligible pension plans which are at various stages of the wind up process.

Adjustments to the liabilities, if any, between the amounts recognized based on estimates and the actual claims made, will be charged or credited to the provision for claims in the year when the actual amounts are determined.

##### (c) Premium revenue

An estimate of the premium revenue due from defined pension plans at rates prescribed by the Act is recorded until receipt of the annual assessment certificate nine months after the plan's fiscal year end.

Adjustments to premium revenue, if any, between the estimated amounts recognized and the actual revenues due are charged or credited to revenue in the year when the actual amounts are determined.

##### (d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires that FSCO's management make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of revenue and expenses for the period. Estimates and assumptions may change over time as new information is obtained or subsequent developments occur. Actual results could differ from these estimates.

##### (e) Financial Instruments

It is the opinion of the management of FSCO that the Fund is not exposed to significant interest rate, currency or credit risks arising from its financial instruments, and the carrying amount of the Fund's financial instruments approximates fair value unless otherwise noted. The impact of fluctuations in interest rates on the Funds Investments is described in note 4.



# FINANCIAL SERVICES COMMISSION OF ONTARIO

## PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2006

### 4. INVESTMENTS

As administrator of the investment assets of the Fund, FSCO has adopted a Statement of Investment Policies and appointed the Ontario Financing Authority as investment manager. The statement outlines the purpose of the Fund and provides guidelines for the management of the investments.

Investments consist of:

	2006 (\$000)		2005 (\$000)	
	Market Value	Cost	Market Value	Cost
Short term deposits	19,484	19,484	77,433	77,433
Government and corporate bonds	59,609	59,767	145,728	145,240
	<u>79,093</u>	<u>79,251</u>	<u>223,161</u>	<u>222,673</u>

Investment Risk and Income:

Short term deposits have an average yield of 3.9 % (2005 – 2.5 %) and government and corporate bonds have yields in the range of 3.3% to 5.8% (2005 – average yield of 3.84 %). At March 31, 2006, a 1% move in interest rates could impact the market value by approximately \$1million.

Investment income includes interest earned from interest bearing securities and realized gains/losses from the sale of securities. The realized net loss on the sale of securities amounted to \$ 3,798 (2005 - \$662,488). Unrealized changes in the market value of investments are reflected separately on the statement of operations and fund deficit.

Maturity Profile of the Investments is as follows:

Investment Maturity	2006 (\$000)	2005 (\$000)
< 1 year	40,662	100,376
1 – 3 years	19,874	83,468
3 – 5 years	13,298	30,262
5+ years	<u>5,259</u>	<u>9,055</u>
	<u>79,093</u>	<u>223,161</u>



## FINANCIAL SERVICES COMMISSION OF ONTARIO

### PENSION BENEFITS GUARANTEE FUND NOTES TO THE FINANCIAL STATEMENTS March 31, 2006

#### 5. LONG TERM LOAN PAYABLE

On March 31, 2004, the Fund obtained a \$330 million loan from the Province. The loan is non interest bearing and repayable to the Province in thirty equal annual installments. The loan agreement provides for the Minister of Finance to advance any installment payment date depending on the cash position of the Fund. Repayments over the next five years are as follows:

	(\$000)
2006	11,000
2007	11,000
2008	11,000
2009	11,000
2010	11,000

#### 6. PENSION MANAGEMENT FEES AND RECOVERIES

In fiscal 2006, \$5,396,325 (2005 - \$2,297,057) was paid from the Fund to a team of experts retained to represent and to minimize any potential claim on the Fund during a court supervised restructuring of a company whose failure could result in a very significant claim on the Fund by the pension plans of the company.

On March 31, 2006, the company, with concurrence by the courts, completed certain agreements including pension agreements with the Province of Ontario to restructure its operations and cease insolvency protection. As a result, a claim has not been made on the Fund, nor is it anticipated one will be made in the future. Costs in the amount of \$5,000,000 were subsequently recovered from the company.

During the insolvency proceedings of another company, whose claim is reflected in claims payable, a team of experts retained to maximize potential recoveries and offset additional claims on the Fund was paid \$490,216 (2005 - \$61,420) in fiscal 2006.

#### 7. ADMINISTRATION FEE AND RELATED PARTY TRANSACTIONS

For fiscal 2006, an administration fee of \$407,320 (2005 - \$379,228) was incurred and is payable to FSCO for management salaries and benefits and accounting, audit, information technology, legal and pension and other services. The Fund and FSCO are related parties.

Administrative services related to the processing of premium revenue are provided by the Ministry of Finance without charge.



# MOTOR VEHICLE ACCIDENT CLAIMS FUND

## FINANCIAL STATEMENTS

AS AT MARCH 31, 2006

## MOTOR VEHICLE ACCIDENT CLAIMS FUND

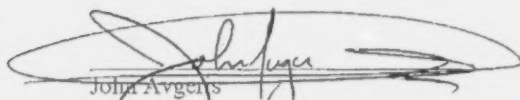
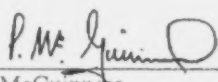
### Management's Responsibility for Financial Information

Management is responsible for the financial statements and all other information presented in the financial statements. Management in accordance with Canadian generally accepted accounting principles has prepared the financial statements, and, where appropriate, included amounts based on management's best estimates and judgements.

Management agrees with the work of the specialists in evaluating the Unpaid Claims amount and has adequately considered the qualifications of the specialists in determining amounts and disclosures used in the notes to the financial statements. Management did not give any, nor cause any, instructions to be given to the specialists with respect to values or amounts derived in an attempt to bias their work, and we are not aware of any matters that have impacted the independence or objectivity of the specialists.

The Motor Vehicle Accident Claims Fund is dedicated to the highest standards of integrity in provision of its services. Management has developed and maintains financial controls, information systems and practices to provide reasonable assurances on the reliability of financial information and that the assets were safeguarded. Internal audits are conducted to assess management systems and practices and reports are issued to the CEO and Superintendent of Financial Services of the Financial Services Commission of Ontario (the "FSCO") and the FSCO Audit Committee.

Deloitte and Touche, Chartered Accountants who are engaged under the direction of the Provincial Auditor, have examined the financial statements. The auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The auditor's report outlines the scope of the auditor's examination and report.

  
John Avgeris  
Senior Manager  
Motor Vehicle Accident Claims Fund  
Peter McGuinness  
Manager of Accounting & Administration  
Motor Vehicle Accident Claims Fund



# Deloitte

Deloitte & Touche LLP  
BCE Place  
181 Bay Street  
Suite 1400  
Toronto ON M5J 2V1  
Canada

Tel: 416-601-6150  
Fax: 416-601-6151  
[www.deloitte.ca](http://www.deloitte.ca)

## Auditors' Report

To the Audit Committee of the Financial Services Commission of Ontario and the Auditor General of Ontario

Pursuant to our appointment as auditor of the Motor Vehicle Accident Claims Fund (the "Fund"), which audit is under the direction of the Auditor General of Ontario, we have audited the statement of financial position of the Fund as at March 31, 2006 and the statements of operations and fund deficit and of cash flows for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at March 31, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Toronto, Ontario  
June 9, 2006

Member of  
Deloitte Touche Tohmatsu



# MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

## STATEMENT OF FINANCIAL POSITION

	As at March 31, 2006 \$	As at March 31, 2005 \$
<b>ASSETS</b>		
Funds on Deposit	24,010,892	8,167,521
Accounts Receivable - License Fees	2,653,211	2,270,712
Accounts Receivable - Life Annuity	-	2,209,799
Accounts Receivable - Debtors	44,761,182	46,948,478
Less: Allowance for Doubtful Accounts	30,395,591	31,466,424
	<u>14,365,591</u>	<u>15,482,054</u>
Leasehold Improvement	500,000	-
Computer Equipment	68,713	106,389
Less: Accumulated Amortization	55,282	70,054
	<u>13,431</u>	<u>36,335</u>
Unpaid Claims Recoverable (Note 4)	7,243,822	8,871,189
<b>Total Assets</b>	<u><u>48,786,947</u></u>	<u><u>37,037,610</u></u>
<b>LIABILITIES &amp; FUND DEFICIT</b>		
Accounts Payable and Accrued Expenses	2,040,654	1,400,992
Deferred Revenue	44,625,559	31,018,599
Unpaid Claims and Adjustment Expenses (Note 4)	141,177,118	128,489,636
	<u>187,843,331</u>	<u>160,909,227</u>
Fund Deficit	(139,056,384)	(123,871,617)
	<u>(139,056,384)</u>	<u>(123,871,617)</u>
<b>Total Liabilities &amp; Fund Deficit</b>	<u><u>48,786,947</u></u>	<u><u>37,037,610</u></u>
Approved by:		

Bob Christie, Chief Executive Officer  
and Superintendent of Financial Services  
Financial Services Commission of Ontario



# MOTOR VEHICLE ACCIDENT CLAIMS FUND

(Established under the Motor Vehicle Accident Claims Act)

## STATEMENT OF OPERATIONS AND FUND DEFICIT

	Year ended March 31, 2006 \$	Year ended March 31, 2005 \$
<b>REVENUE</b>		
Fee on Issue or Renewal of Driver's Licences	26,175,001	19,611,557
Change in Deferred Revenue	(13,606,960)	(10,421,542)
Fees Earned	12,568,041	9,190,015
Transfer Payment	-	862,200
Prior Year Recoveries	875,582	2,662,046
Other Revenue	15,764	6,565
<b>Total Revenue</b>	<u>13,459,387</u>	<u>12,720,826</u>
<b>EXPENSES</b>		
Change in Net Unpaid Claims and Adjustment Expenses	14,314,849	2,765,529
Accident Benefits Claims Payments	5,064,648	6,862,178
<b>Administrative Expenses</b>		
Salaries and Wages	1,300,667	1,108,641
Employees' Benefits	166,329	153,688
Transportation and Communication	33,828	25,985
Services:		
Claims (Solicitors Fees etc.)	1,972,436	1,858,236
Accident Benefit Claims Expense	1,208,662	1,064,781
Other Services	944,699	837,325
Bad Debts Expense	3,595,979	2,465,532
Supplies and Equipment	19,153	14,405
Amortization of Computer Equipment	22,904	35,463
<b>Total Expenses</b>	<u>28,644,154</u>	<u>17,191,763</u>
<b>Excess of Expenses over Revenue</b>	(15,184,767)	(4,470,937)
<b>Fund Deficit, Beginning of Year</b>	(123,871,617)	(119,400,680)
<b>Fund Deficit, End of Year</b>	<u>(139,056,384)</u>	<u>(123,871,617)</u>





# MOTOR VEHICLE ACCIDENT CLAIMS FUND

*(Established under the Motor Vehicle Accident Claims Act)*

## STATEMENT OF CASH FLOWS

	Year ended March 31, 2006 \$	Year ended March 31, 2005 \$
<b>OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Fee on Issue or Renewal of Driver's Licences	25,792,503	18,268,265
Repayment by Debtors	1,647,223	1,893,151
Prior Year Recoveries	3,085,381	452,247
Transfer Payment	-	862,200
Other Revenue	15,764	6,565
<b>Cash Outflows</b>		
Statutory Payments	(8,532,439)	(10,689,848)
Payments to Employees	(1,460,828)	(1,245,127)
Administrative Expenses	(4,204,233)	(4,002,091)
<b>Net Cash Outflow from Operating Activities</b>	<u>16,343,371</u>	<u>(5,545,362)</u>
<b>INVESTING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Acquisition of Leasehold Improvement	(500,000)	-
Acquisition of Equipment	-	(40,293)
<b>Net Cash Outflow from Investing Activities</b>	<u>(500,000)</u>	<u>(40,293)</u>
<b>Net Increase (Decrease) in Funds on Deposit with Minister of Finance</b>	15,843,371	5,505,069
<b>Funds on Deposit with Minister of Finance, Beginning of Year</b>	<u>8,167,521</u>	<u>2,662,452</u>
<b>Funds on Deposit with Minister of Finance, End of Year</b>	<u><u>24,010,892</u></u>	<u><u>8,167,521</u></u>



# MOTOR VEHICLE ACCIDENT CLAIMS FUND

## NOTES TO THE FINANCIAL STATEMENTS

March 31, 2006

### 1. Statutory Authority

The Motor Vehicle Accident Claims Fund (the "Fund") operates under the authority of the *Motor Vehicle Accident Claims Act (the "Act")*, R.S.O. 1990, Chapter M.41 as amended.

### 2. Fund Operations

The Fund was originally established to provide compensation to victims of motor vehicle accidents caused by uninsured or hit-and-run motorists in Ontario. Uninsured motorists were required to pay an annual fee into the Fund. However, effective March 1, 1980, with the enactment of the *Compulsory Automobile Insurance Act*, all motorists are required to carry compulsory third party liability insurance including uninsured motorist coverage. Since that time, the Fund only responds to claims where the eligible claimants have no access to automobile or liability insurance coverage. In 1990, legislation was enacted to expand the coverage to include a new provision to pay statutory accident benefits by the Fund, in accordance with the *Statutory Accident Benefits Schedule* (the "SABS"). In 2002, legislation was enacted to expand the Fund's role to administer and pay statutory accident benefits claims of Ontario insolvent insurers.

The Fund now pays claims under four different automobile insurance compensation systems:

- 1) Tort – prior to June 22, 1990
- 2) OMPP – between June 22, 1990 and December 31, 1993
- 3) Bill 164 – between January 1, 1994 and October 31, 1996
- 4) Bill 59 – from November 1, 1996 and forward

The coverage provided by the Fund is analogous to the minimum required coverage under the standard automobile policy (OAP1) approved by the provincial regulator. Unlike insurance companies, the Fund does not cover claims where the accidents occur outside of Ontario, except in the case of accident benefits where the Ontario insurer is insolvent. In the cases of insurance company insolvencies where the Fund pays claims for accident benefits, it has powers to assess the industry to recover for claims and adjustment expenses and also has claimant rights against the estate of the insolvent insurer.

The current maximum third party liability claims limits payable by the Fund are \$200,000, inclusive of pre-judgment interest, plus legal costs as awarded. Under the *Highway Traffic Act* in Ontario, a driver is responsible for an accident while the owner of the vehicle has vicarious liability. Both the owner and driver will have their driving privileges suspended and, where judgments exist, writs of seizure and sale of real property will be filed with the Sheriff in the jurisdictions where the defendants reside.

If the driver of the vehicle cannot be determined, only claims for bodily injury can be paid out of the Fund. In these civil proceedings the Superintendent of the FSCO becomes the named defendant. In certain circumstances, the law provides that where the identity of a driver is determined at a later date, upon bringing of a motion before the court, the driver can be substituted in the judgment.

Upon the conclusion of litigation under sections 7, 12 or 15 of the *Act*, or through settlements under section 4 of the *Act*, the plaintiff(s) or claimant(s) present a request for payment to the Minister of Finance out of the Fund. At that time an account receivable is created for the full amount of those payments, which may be recovered from the uninsured driver and/or owner.

## 2. Fund Operations (continued)

The Fund operates administratively under the direction of the Financial Services Commission of Ontario ("FSCO") and reimburses FSCO for the costs of the services it provides to the Fund.

The Lieutenant Governor in Council, having regard to the condition of the Fund and the amount paid out of the Fund during any period, may direct payment out of the Province's Consolidated Revenue Fund of such an amount as may be considered necessary or advisable to subsidize the Fund.

## 3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Fair values are not determinable for Accounts Receivable – Debtors (net) and Unpaid Claims and Adjustment Expenses (net). For all other financial instruments fair value is equal to book value.

The significant accounting policies used in the preparation of these financial statements are summarized as follows:

### a) Leasehold Improvements

Leasehold Improvements are carried at cost, less accumulated amortization. The Fund provides for amortization on a straight line basis over the term of the lease.

Leasehold Improvements     5 years

### b) Computer Equipment

Computer equipment is carried at cost, less accumulated amortization. The Fund provides for amortization on a straight-line basis over the estimated useful life of the assets as follows:

Computer equipment             3 years

### c) Drivers' Licence Fees and Deferred Revenue

The amount the Fund earns changed as of September 2004 from a fee of \$5.00 to \$15.00 on the issuance or renewal of each driver's five-year licence. The income is earned on a pro-rata basis over the five-year term of the licence and the unearned portion is reflected as deferred revenue.

### d) Accounts Receivable – Fees

Under the *Act* the Fund receives from the Ministry of Transportation and Serco DES a monthly internal transfer and payment representing the drivers' licence fee prescribed by *Ontario Regulation 800*. Accordingly, unremitted licence fees are reported as accounts receivable.

### e) Unpaid Claims

Unpaid claims represents the estimated amounts required to settle all unpaid claims, including an amount for unreported claims and claim expenses, and is gross of estimated recoveries and subrogation. Claim liabilities are established according to accepted actuarial practice in Canada as applied to public personal injury compensation plans. They do not reflect the time value of money nor include a provision for adverse deviations, because the Fund reports no investment income.

The provision for unpaid claims and claim expenses consists of estimates that are necessarily subject to uncertainty and the variability could be material in the near term. The estimates are selected from a range of possible outcomes and are adjusted up or down, as additional information becomes known during the course of loss settlement. The estimates are principally based on historical experience but variability can be caused by changes in judicial interpretations of contracts or significant changes in severity



and frequency of claims from historical trends. All changes in estimates are recorded in the current period.

The Fund has obligations to pay certain fixed amounts to claimants on a recurring basis and has purchased annuities from life insurers to provide for those payments.

Settlements occur when there is an irrevocable direction from the Fund to the annuity underwriter to make all payments directly to the claimant. There are no rights under the non-commutable, non-assignable, non-transferable contract that would provide any current or future benefit to the Fund. The Fund remains liable to make payments only in the event that the life insurance company fails and only to the extent that CompCorp, the industry's insolvency compensation fund, will not cover payments due. The net risk to the Fund is any credit risk related to the life insurance companies. This credit risk is deemed nil at March 31, 2006. There exists the possibility of contingent gains based on the fact that the Fund has purchased insurance on some of the measured lives. Such amounts are described in Note 6 – Contingent Gains.

#### **f) Accounts Receivable – Debtors**

The Fund maintains an accounts receivable portfolio, accumulated over the years as the result of judgments and claims assigned to the Minister of Finance. The Fund will pay damages to injured, not at fault, victims who have no recourse to liability insurance, on behalf of defendant uninsured motorists. In accordance with the *Act*, these amounts are recoverable from the uninsured motorists.

Total repayments received from debtors are reflected in the cash flow statement.

The allowance for doubtful accounts is determined through a process that considers: the age of defendant/debtor, the defendant/debtor's current monthly installment required under the regulations, the amount paid out of the Fund and the activity on the account since the date of the judgment.

The write-off process depends on established criteria that parallel the criteria established by the Ministry of Finance. These criteria are used to select a block of accounts at the beginning of April that is reviewed by collections staff.

The Ministry of Finance, Internal Audit Section audits the work of the collections staff and provides a certificate of assurance to verify that the established criteria for the write-off have been met. The write-off transaction is authorized by an order-in-council under the authority set out in the *Financial Administration Act*.

In the current year, write-offs of \$ 5.2 million (2005 - \$ 3.9 million) were processed. Additionally, in the current year \$0.5M of the Accounts Receivable was reinstated through the bad debt expense account.

#### **g) Prior Year Recoveries**

Prior year recoveries are generated from three main sources – insurance recoveries, reversionary interest (Note 6) and recoveries of court costs. The Fund is required under the *SABS* to satisfy the payment of accident benefits claims within specified periods. The timeframe does not allow for a complete investigation into available insurance coverage and in some instances information is withheld by police because of criminal investigations. Accordingly, when new information is available, the Fund may be required to pursue private insurers for recoveries.

From time to time the Fund may also be involved in the defence of uninsured motorists or the Superintendent of FSCO, where the legal proceedings are deemed frivolous and the Fund is awarded costs by the courts.

#### 4. Unpaid Claims and Adjustment Expenses

a) The Fund's unpaid claims and adjustment expenses consist of the following:

	March 31, 2006		March 31, 2005	
	Gross (000's)	Recoverable (000's)	Gross (000's)	Recoverable (000's)
ACCIDENT BENEFITS				
Statutory accident benefits	\$ 72,368	\$ -	\$ 48,958	\$ -
THIRD PARTY LIABILITY (TPL)				
Property damage	1,027	71	797	62
Bodily injury	67,782	7,173	78,735	8,809
Total TPL	68,809	7,244	79,532	8,871
Totals	\$ 141,177	\$ 7,244	\$ 128,490	\$ 8,871

b) The change in gross provision for claims and adjustment expenses is as follows:

	March 31, 2006 (000's)	March 31, 2005 (000's)
Unpaid claims and adjustment expenses, beginning of year	\$ 128,490	\$ 125,979
Increase (decrease) in provision for losses that occurred in prior years	(1,374)	(8,350)
Amounts paid during the year on claims of prior years:		
Statutory Payments	(8,377)	(9,780)
Claims Expenses	(5,598)	(5,277)
Amounts paid during the year on claims of the current year:		
Statutory Payments	(815)	(475)
Claims Expenses	(545)	(256)
Provision for losses on claims that occurred in the current year	29,396	26,649
Unpaid claims and adjustment expenses, end of year	\$ 141,177	\$ 128,490



## **5. Role of the Actuary and Auditor**

The Financial Services Commission of Ontario retains the Fund's actuary. The actuary's responsibility is to carry out an annual valuation of the Fund's liabilities, which include provision for unpaid claims and adjustment expenses in accordance with accepted actuarial practice. In performing the valuation, the actuary makes assumptions as to the future rates of claims frequency and severity, inflation, recoveries, and expenses taking into consideration the circumstances of the Fund. The actuary in his verification of the underlying data used in the valuation also makes use of the work of the external auditor. The actuary's report outlines the scope of his work and opinion.

The external auditors act under the direction of the Ontario Provincial Auditor pursuant to agreed terms of engagement. Their responsibility is to conduct an independent and objective audit of the financial statements in accordance with Canadian generally accepted auditing standards and report thereon to the Audit Committee of the FSCO. In carrying out their audit, the auditors also make use of the work of the actuary and his report on the provision for claims and claim expenses. The auditors' report outlines the scope of their audit and their opinion.

## **6. Contingent Gains**

Some payments out of the Fund are in the form of structured settlements for accident benefit claims. These claims have guarantee periods ranging from 10 to 30 years and during this period the reversionary interest will be payable to Her Majesty the Queen in right of Ontario, as represented by the Minister of Finance, should the claimant die.

Even though the range of probability that the claimant may die during the guarantee period is slight, the Fund nevertheless has calculated the approximate reversionary interest represented by insurance on the claimant lives as at March 31, 2006 for information purposes.

As at March 31, 2006, the amount paid out of the Fund for accident benefit claims in the form of structured settlements was approximately \$ 9.0 million (2005 - \$ 11.4 million) with applicable reversionary interest of approximately \$ 4.9 million (2005- \$ 7.5 million).

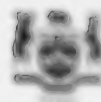




THE FINANCIAL SERVICES COMMISSION OF ONTARIO

# SUPERINTENDENT'S REPORT ON INSURANCE 2005







## SUPERINTENDENT'S REPORT ON INSURANCE 2005

The following information was obtained from the annual filings and, in the case of federally registered insurers, from the Office of the Superintendent of Financial Institutions. While every effort has been made to ensure the accuracy of this report, decisions should not be made solely on the information contained in it. Other sources should also be consulted. Any material changes to this information will be reported to the Minister of Finance and published in The Ontario Gazette.

The information is organized by type of insurer, and insurers are listed alphabetically within each group.

Summary Financial Information .....	81
Property and Casualty Companies .....	84
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Fraternal Societies .....	114
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The Honourable Greg Sorbara  
Minister of Finance  
7 Queen's Park Crescent  
Toronto ON M7A 1Y7

Dear Minister:

I am pleased to present the 127th annual report under Section 36 of the *Insurance Act* for the year ended December 31, 2005. Prior to the creation of the Financial Services Commission of Ontario, this report was issued by the Superintendent of Insurance.

In addition to the information contained in this report, a listing of all licensed insurers is published each July in *The Ontario Gazette*. This list contains the names of the insurers, their addresses, telephone numbers, chief agents, and the classes for which they are licensed. During the year, information concerning newly licensed insurers and changes to existing licences is also published in Bulletins issued by the Financial Services Commission of Ontario. Any broker or member of the public can verify whether a particular insurer is licensed by calling our offices at (416) 250-7250. This information is also available on the Commission's Internet site, [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca).

News releases containing other information of public interest are made throughout the year. These announcements can effectively reach a large number of Ontario residents. Information is also supplied to industry trade associations for inclusion in their publications to reach more specialized audiences. The Financial Services Commission of Ontario issues Bulletins as required to provide information to insurers and other individuals interested in the insurance industry.

Yours sincerely,

Bob Christie  
Chief Executive Officer and  
Superintendent of Financial Services



## SUMMARY FINANCIAL INFORMATION

### SUMMARY OF COMPANIES LICENCED BY TYPE OF BUSINESS ACTIVITY *as at December 31, 2005, and December 31, 2004*

Analysis of 2005 total

Business Type	Total 2004	Additions	Withdrawals	Total 2005	Ontario	Extra Provincial	Federal
Property & Casualty Companies	217	8	4	221	64	12	145
Life Insurance Companies	95	7	2	100	4	15	81
Reinsurance Companies	44	1	3	42	2	1	39
Reciprocal Exchanges	10	0	0	10	9	0	1
Fraternal Societies	24	0	0	24	3	0	21
Totals	390	16	9	397	82	28	287

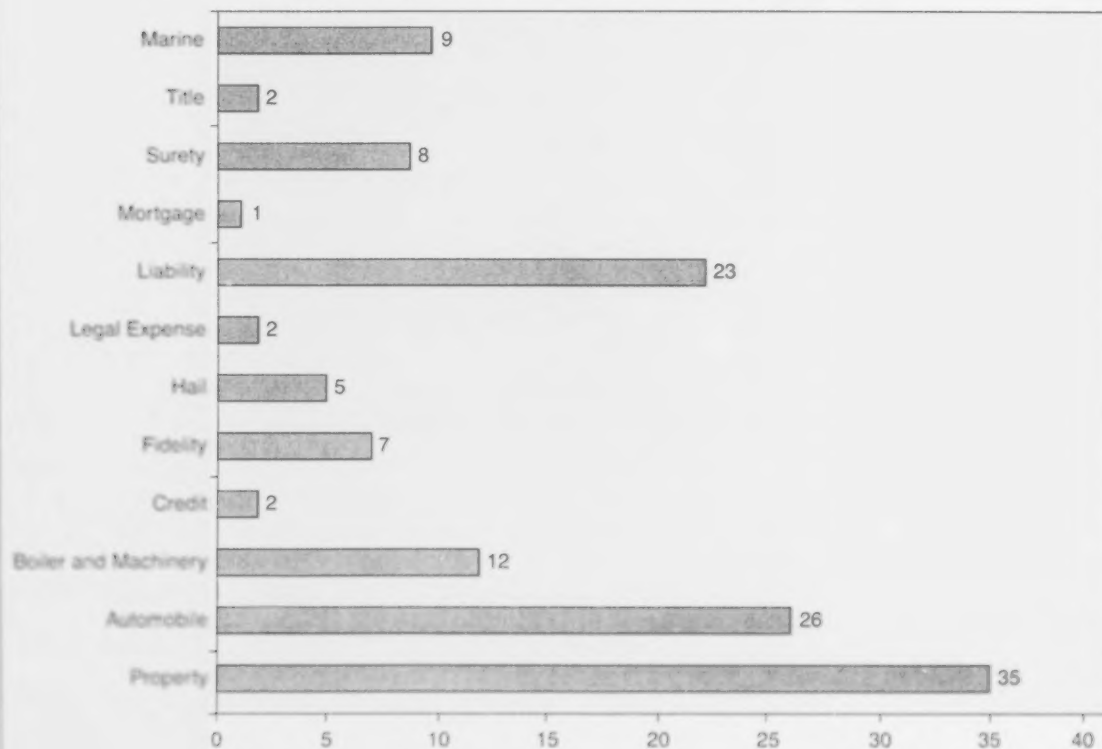
#### Notes:

1. Companies writing both property & casualty and life business are listed under Life in the above summary. Their financial performance is shown separately by business type in the following report.
2. Branch operations are included in the Federal totals.
3. The Superintendent's Report 2005 records figures as of the end of the calendar year (December 31, 2005), based on the company's annual filings. The Financial Services Commission of Ontario Annual Report 2005-2006, records figures as of the end of the fiscal year (March 31, 2006).

To gauge the level of competition, FSCO calculates how many companies represent 80 percent of the market for key products. Please note that effective in 2005, these figures are based on individual companies rather than groups of affiliated companies.

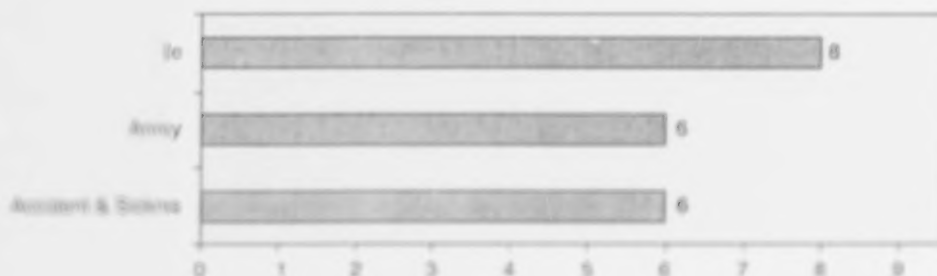
## 2005 Property and Casualty Insurers

Number of Companies Representing 80% of Ontario Market Share



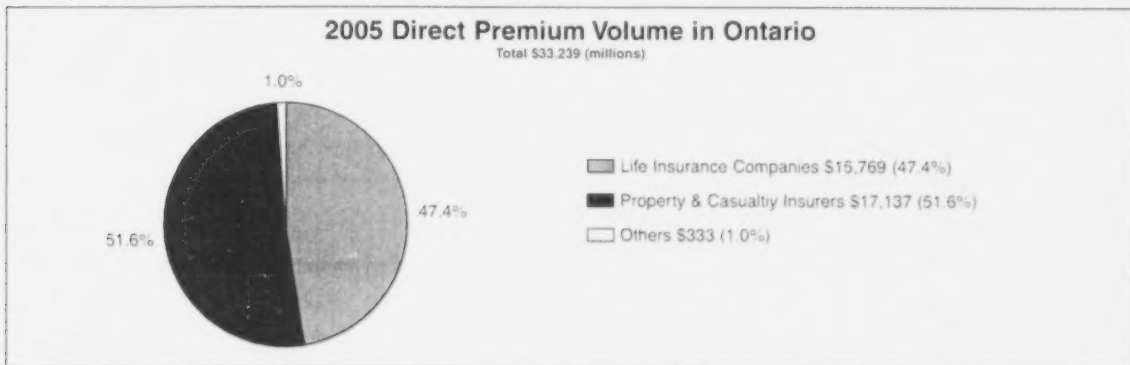
## 2005 Life Insurers

Number of Companies Representing 80% of the Ontario Market Share

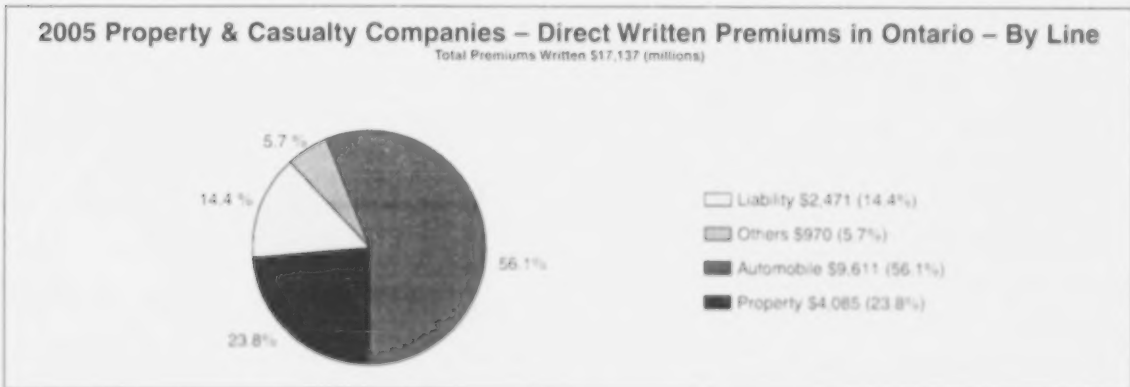




Insurance is a \$33 billion business in Ontario. In 2005, of the the total premium dollar, 47.4 per cent went to the life insurance industry and 51.6 percent went to the property and casualty (including automobile) insurers.



P&C insurers received \$17.1 billion in premiums in 2005. The split among automobile, property and liability insurance was unchanged year over year.



The broad pattern among life insurance companies likewise remained constant. Of the \$16 billion spent on premiums to the life insurers, 20.0 percent went to buy annuities, 38.4 percent to purchase individual and group life coverage and 41.6 percent to obtain accident and sickness insurance.





# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Direct  
premiums  
written  
\$

Direct  
claims  
incurred  
\$

Note

### ONTARIO

	Algoma Mutual Insurance Company	7,545	3,791
	Amherst Island Mutual Insurance Company	444	368
	Ayr Farmers Mutual Insurance Company	14,245	8,146
	Bay of Quinte Mutual Insurance Co.	13,503	5,667
	Bertie and Clinton Mutual Insurance Company	7,969	3,938
	Brant Mutual Insurance Company	3,444	2,441
	CAA Insurance Company (Ontario)	109,574	85,493
	Caradoc Delaware Mutual Fire Insurance Company	1,163	593
	Cayuga Mutual Insurance Company	4,716	2,796
	Coachman Insurance Company	27,213	10,750
	Commerce and Industry Insurance Company of Canada	69,162	49,342
	Coronation Insurance Company, Limited	0	(8)
	Culross Mutual Insurance Company	1,456	952
	Dufferin Mutual Insurance Company	7,706	4,618
	Dumfries Mutual Insurance Company	11,173	7,222
	Erie Mutual Fire Insurance Company	4,568	3,928
	Farmers' Mutual Insurance Company (Lindsay)	60,738	39,332
1	Fenchurch General Insurance Company	272	292
	GCAN Insurance Company	83,326	33,933
	Germania Farmers' Mutual Fire Insurance Company	6,304	5,110
	Glenagary Farmers' Mutual Fire Insurance Company	7,394	4,812
	Grenville Mutual Insurance Company	12,839	7,396
	Grey & Bruce Mutual Insurance Company	1,399	766
	Halsall Mutual Insurance Company	11,882	6,126
	Hamilton Township Mutual Insurance Company	14,730	4,960
	Map Mutual Insurance Company	6,786	3,671
	Westings General Insurance Company	10,000	1,600
2	Westwood Mutual Insurance Company	8,888	3,803
	Winick Mutual Insurance Company	10,000	0,000
	Went & Bruce Mutual Insurance Company	15,000	8,000



# TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
11,756	7,704	4,052	46	828
1,654	460	1,194	25	159
38,881	21,875	17,006	55	2,516
27,359	12,509	14,850	45	2,064
34,836	13,596	21,240	54	1,377
14,168	6,972	7,196	51	642
333,221	273,028	60,193	73	6,737
7,117	1,071	6,046	66	21
16,247	5,562	10,685	77	154
113,278	93,961	19,317	52	1,167
802,779	698,108	104,671	66	21,801
4,337	1,335	3,002	n/a	53
2,925	1,826	1,099	51	(15)
16,299	10,751	5,548	53	581
31,942	11,999	19,943	59	1,071
19,542	6,213	13,329	101	(733)
112,667	109,623	3,044	67	5,558
15,599	5,878	9,721	31	1,167
713,883	685,395	28,488	45	21,163
56,699	9,113	47,586	49	1,290
15,383	7,129	8,254	56	754
69,179	69,665	(486)	62	1,823
0,000	0,000	0,000	51	67
29,699	25,213	4,486	61	1,225
36,567	23,819	12,748	43	2,293
19,605	9,896	9,709	55	1,235
11,000	9,000	2,000	55	1,076
72,100	10,800	61,300	60	1,000
10,100	10,100	0,000	60	754
115,600	12,300	103,300	55	2,000





# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Note		Direct premiums written \$	Direct claims incurred \$
	<b>ONTARIO cont.</b>		
	Kingsway General Insurance Company	303,317	247,122
	L&A Mutual Insurance Company	5,470	2,493
	Lambton Mutual Insurance Company	13,316	10,778
	Lanark Mutual Insurance Company	21,089	13,199
	Lawyers' Professional Indemnity Company	77,330	66,118
3	Markham General Insurance Company	0	0
	MAX Canada Insurance Company	3,773	1,494
	McKillop Mutual Insurance Company	7,004	4,968
	Middlesex Mutual Insurance Co.	7,616	3,420
	Norfolk Mutual Insurance Company	4,979	2,850
	North Blenheim Mutual Insurance Company	7,034	2,997
	North Kent Mutual Fire Insurance Company	3,429	3,459
	Oxford Mutual Insurance Company	9,173	3,129
	Peel Maryborough Mutual Insurance Company	12,046	8,831
	Peel Mutual Insurance Company	26,196	17,720
	Pilot Insurance Company	701,691	525,727
	Premier Insurance Company	133	(100)
	Prescott Mutual Insurance Company	818	276
	Pro-Defence Insurance Company	11,446	5,378
	Scottish & York Insurance Co. Limited	191,802	127,892
	South Easthope Mutual Insurance Company	10,909	6,020
	The West Wawanosh Mutual Insurance Company	12,889	8,336
	The Westminster Mutual Insurance Company	3,797	3,824
	The Yarmouth Mutual Fire Insurance Company	3,232	2,742
	Town & Country Mutual Insurance Company	8,088	6,892
	Townsend Farmers' Mutual Fire Insurance Company	4,436	4,224
	Tradition Mutual Insurance Company	10,471	7,301
	Trillium Mutual Insurance Company	27,397	17,788
	TRC Insurance Company Limited	0	0
	Uxore and Wilket Mutual Fire Insurance Company	4,702	2,489



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
993,351	878,172	115,179	84	29,339
10,346	3,486	4,860	49	773
44,076	20,520	23,556	74	572
56,614	27,089	29,525	59	1,939
444,360	334,739	109,621	96	7,333
0	0	0	n/a	0
11,210	4,833	6,377	61	(51)
17,891	10,686	7,205	57	693
22,053	9,381	12,474	64	818
12,830	6,173	6,657	57	633
16,378	6,413	10,163	43	1,141
25,190	8,341	16,849	47	1,183
21,433	13,707	7,726	61	1,207
27,889	13,670	12,219	60	1,078
37,177	33,662	23,313	60	2,949
1,667,392	1,379,668	287,904	72	99,581
3,137	112	3,043	74	11
1,312	943	369	69	(28)
76,981	34,217	22,764	65	960
691,843	566,101	125,744	68	63,987
28,280	12,363	15,713	69	1,527
37,939	23,920	12,019	65	5,079
10,272	6,379	3,893	60	363
13,763	6,097	8,366	65	173
23,433	11,438	11,992	77	(263)
14,367	7,093	6,702	70	697
24,734	13,393	11,340	60	672
66,890	65,916	20,940	60	1,030
11,863	61,380	500	60	0
38,000	3,000	26,000	60	1,100



# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Direct  
premiums  
written  
\$

Direct  
claims  
incurred  
\$

Note

### ONTARIO cont.

Wabisa Mutual Insurance Company	5,640	3,425
West Elgin Mutual Insurance Company	9,255	10,510
York Fire & Casualty Insurance Company	149,197	98,401
	<b>2,202,680</b>	<b>1,539,990</b>

### EXTRA PROVINCIAL

Alberta Motor Association Insurance Company	0	0
Belair Insurance Company Inc.	59,136	8,631
4 Canadian Farm Insurance Corp.	0	0
GMS Insurance Inc.	220	53
Industrial-Alliance Pacific General Insurance Corporation	952	92
Innovative Insurance Corporation	21	0
3 L'Unique General Insurance Inc.	0	0
6 Optimum Insurance Company Inc.	36,411	26,761
7 Orleans General Insurance Company	0	0
SGI CANADA Insurance Services Ltd.	103	4
The Canadian Union Insurance Company	3,205	804
The Mutual of Ottawa Church Insurance	11	0
Trans Global Insurance Company	8,036	632
	<b>98,841</b>	<b>37,158</b>

### FEDERAL

ACE P&A Insurance	144,345	75,343
Alliance Insurance Company of Canada	55,823	56,000
Alliance Insurance Company of Canada	100,401	100,000
8 Allstate Insurance Company	0	0
Assurance Insurance Ltd.	11,000	6,000
Axa Insurance Company of Canada	407,227	527,800
AAA Insurance of Canada	107,000	100,000
AAA Pacific Insurance Company	1,000	9,000
Canadian Direct Insurance Incorporated	0	0
Canadian Southern World Insurance Company	100	10



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
13,57	7,675	5,682	56	491
31,024	17,447	14,177	66	992
314,59	278,487	36,272	69	5,765
7,301,375	5,896,794	1,604,781		203,041
100,71	274,788	86,183	70	18,562
706,74	572,842	221,632	56	38,733
0	0	0	n/a	0
7,55	2,251	5,524	95	(1,211)
33,32	42,255	13,677	52	2,359
0.09	1,770	3,149	48	35
0	0	0	0	0
100.01	139,313	33,078	56	3,923
0	0	0	n/a	0
00.32	16,997	33,233	66	3,601
000.16	313,667	76,689	68	6,702
0.38	170	4,739	10	503
00.10	7,037	6,471	6	2,603
1,000.16	1,411,919	308,417		03,600
000.16	764,477	189,899	66	30,629
0,000.07	1,003,663	344,844	56	303,343
0,000.32	1,063,394	493,738	35	(70,333)
0	0	0	n/a	0
00.41	40,393	13,266	65	000
0,000.02	2,707,630	393,704	43	407,336
000.00	733,300	86,300	0.0	01,000
000.00	363,000	106,700	00	00,000
000.04	106,330	26,730	0.0	0,023
000.04	000,300	03,700	00	0,000



# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Note		Direct premiums written \$	Direct claims incurred \$
	<b>FEDERAL cont.</b>		
	Certas Direct Insurance Company	109,211	75,484
	Chubb Insurance Company of Canada	325,222	229,837
	Commonwealth Insurance Company	40,711	9,059
	Constitution Insurance Company of Canada	0	(504)
	Co-operators General Insurance Company	657,802	444,284
	COSECO Insurance Company	121,949	94,249
	CUMIS General Insurance Company	10,618	23,744
	Echelon General Insurance Company	104,006	63,412
	Economical Mutual Insurance Company	867,707	528,553
	Elite Insurance Company	45,974	20,615
	Everest Insurance Company of Canada	2	1
	FCT Insurance Company Ltd.	10,243	10,857
	Federated Insurance Company of Canada	38,827	31,693
	Federation Insurance Company of Canada	85,217	71,217
	First North American Insurance Company	1,062	909
9	Genworth Financial Mortgage Insurance Company Canada	239,392	20,622
	Gold Circle Insurance Company	0	0
	Gore Mutual Insurance Company	133,167	87,704
	Grain Insurance and Guarantee Company	9,376	2,379
10	Granite Insurance Company	0	0
	INA Insurance Company of Canada	1,232,733	480,793
	INA Nova Insurance Company of Canada	101,789	52,379
	Jesse Insurance Company	9,062	7,724
	Legacy General Insurance Company	14,003	214
	Libby's Underwriters	341,808	472,236
	Lombard General Insurance Company of Canada	388,780	285,287
	Lombard Insurance Company	160,811	79,813
	Landon and Millard General Insurance Company	22,345	2,914
	Marshall Insurance Company of Canada	883,004	583,008
	Old Republic Insurance Company of Canada	80,356	36,580



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
192,147	286,602	103,343	65	23,892
1,921,963	1,461,913	460,048	67	33,373
1,499,641	1,196,429	313,212	111	66,243
3,614	1,248	2,366	66/2	78
1,242,233	2,311,436	930,617	67	132,113
361,608	306,087	55,521	73	7,585
119,293	99,602	19,691	71	2,388
247,214	186,336	60,878	61	11,872
1,476,317	2,434,968	1,021,349	66	172,639
232,462	172,974	59,488	67	18,936
3,314	1,049	4,263	62/60	77
92,732	33,296	59,436	71	9,836
366,376	112,636	253,740	109	10,546
337,620	630,679	298,341	66	10,673
9,666	5,729	3,937	70	660
2,673,960	1,715,625	958,335	66	103,676
4,363	0	4,363	66/6	33
379,322	265,833	113,489	66	19,600
78,337	32,633	45,704	66	3,389
0	0	0	66/6	0
1,900,834	8,927,609	973,223	76	268,334
338,870	585,833	246,963	76	10,380
697,470	409,334	288,136	70	11,360
32,823	(3,885)	36,708	76	6,676
2,406,546	2,667,165	239,381	66	(7,441)
2,406,700	2,366,896	439,804	66	102,499
365,633	367,803	(2,170)	67	16,356
328,390	136,609	191,781	67	15,692
717,637	633,386	84,251	66	10,673
140,360	136,866	3,494	66	6,216





# TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
14,696	634	14,062	56	(666)
131,134	87,888	43,246	61	6,301
487,746	306,303	181,443	19	43,229
358,789	312,812	45,977	64	7,127
850,818	727,853	122,965	64	39,779
100,651	70,159	30,492	60	5,336
613,961	466,122	147,839	75	28,037
176,234	104,520	71,714	25	12,911
3,426,914	2,712,630	714,284	60	75,088
99,645	73,879	25,766	79	(785)
7,014	17	6,997	n/a	12
8,542	1,865	6,677	55	(158)
2,142,472	1,472,043	670,429	68	163,251
624,242	430,544	193,698	45	22,545
12,824	179	12,645	n/a	286
288,660	239,958	48,702	70	12,542
1,088,316	935,028	153,288	75	17,529
734,812	601,252	133,560	53	20,367
186,316	112,852	73,464	19	21,632
728,999	517,365	211,634	64	31,209
2,516,012	1,900,668	615,344	61	139,196
922,264	492,221	430,043	57	37,580
426,886	345,736	81,150	64	12,758
56,142	20,321	35,821	-27	3,707
2,145,771	1,527,052	618,719	56	192,015
74,403	46,173	28,230	55	2,383
956,533	765,466	191,067	77	31,958
224,243	152,488	71,755	64	7,753
464,182	371,629	92,553	58	13,036
3,761,633	2,239,629	1,522,004	71	147,617





# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Note		Direct premiums written \$	Direct claims incurred \$
	<b>FEDERAL cont.</b>		
	Traders General Insurance Company	322,274	204,929
	Trafalgar Insurance Company of Canada	96,835	61,877
	Unifund Assurance Company	249,242	180,158
	Waterloo Insurance Company	45,116	31,386
	Western Assurance Company	87,268	37,386
	Western Surety Company	2,812	37
	XL Insurance Company Limited	37,075	5,075
	Zenith Insurance Company	37,954	24,205
		11,858,031	8,177,176
	<b>BRANCH</b>		
	Affiliated FM Insurance Company	31,193	21,386
	Allianz Global Risks US Insurance Company	61,183	(19,587)
	Allstate Insurance Company	0	0
	American Bankers Insurance Company of Florida	95,394	11,525
	American Home Assurance Company	296,438	178,821
	American Re-Insurance Company	0	168
	Arch Insurance Company	2,006	893
12	Atradius Credit Insurance N.V.	0	0
	Avemco Insurance Company	0	(93)
	Aviation & General Insurance Company Limited	0	0
	AXA Corporate Solutions Assurance	3,392	10,473
	Centennial Insurance Company	16	(416)
	CGU International Insurance plc	32	(2,249)
	Chicago Title Insurance Company	4,192	1,600
	Compagnie Francaise D'Assurance Pour Le Commerce Extérieur	2,099	304
	Continental Casualty Company	100,080	48,681
	DaimlerChrysler Insurance Company	5,004	1,256
	Eagle Star Insurance Company Limited	168	(2,274)
	Ecclesiastical Insurance Office Public Limited Company	14,362	9,800
	Employers Insurance Company of Wausau	(6)	(554)



# TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Claims incurred to earned premium %	Net income/ (loss) \$
1,090,351	861,399	228,952	65	69,007
339,712	281,478	58,234	56	12,094
823,239	693,668	129,571	70	25,107
238,585	189,360	49,225	64	10,062
641,202	523,494	117,708	60	12,176
30,509	18,567	11,942	13	1,684
280,453	194,166	86,287	38	19,406
136,184	90,438	45,746	54	7,787
65,346,852	49,437,185	15,909,667		2,989,992
170,982	119,429	51,553	67	13,836
586,716	539,127	47,589	109	(4,537)
14,677	1,525	13,152	n/a	1,476
278,194	173,821	104,373	14	11,935
3,085,402	2,303,387	780,015	69	117,613
274,119	96,885	177,234	97	6,304
42,799	24,866	17,933	48	243
0	0	0	n/a	0
4,343	988	3,355	n/a	100
1,111	80	1,031	n/a	(64)
119,572	80,917	38,655	58	7,544
13,883	4,906	8,977	-433	381
67,259	24,259	43,000	7120	5,472
12,533	4,898	7,635	13	1,744
12,381	5,149	7,232	52	(768)
806,111	555,800	250,311	56	48,146
47,291	11,909	35,382	60	4,000
32,508	15,482	17,026	1846	818
127,950	83,414	44,536	62	100
54,700	11,092	43,608	-1500	1,665



# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Note		Direct premiums written \$	Direct claims incurred \$
	<b>BRANCH cont.</b>		
	Employers Reinsurance Corporation	85,738	37,553
	EULER American Credit Indemnity Company	18,255	6,311
	Factory Mutual Insurance Company	87,064	19,306
	Federal Insurance Company	1,355	325
	First American Title Insurance Company	17,056	3,132
	General Reinsurance Corporation	0	0
	Great American Insurance Company	29,371	70,326
	Great American Insurance Company of New York	0	(23)
	Hartford Fire Insurance Company	11,776	5,838
	ICAROM Public Limited Company	0	30
13	Jewelers Mutual Insurance Company	0	0
	Lawyers Title Insurance Corporation	474	696
	Liberty Mutual Fire Insurance Company	11	(18)
	Liberty Mutual Insurance Company	75,898	99,769
	Lumbermens Mutual Casualty Company	(123)	(14,105)
	Mitsui Sumitomo Insurance Company, Limited	0	0
	Motors Insurance Corporation	191,344	167,057
	National Liability & Fire Insurance Company	13,137	5,301
	NCMIC Insurance Company	1	0
	NIPPONKOA Insurance Company, Limited	758	(338)
	North American Specialty Insurance Company	0	112
	Pearl Assurance Public Limited Company	0	0
	Progressive Casualty Insurance Company	0	(2,200)
	Protective Insurance Company	251	271
	Providence Washington Insurance Company	0	591
	Reliance Insurance Company	0	0
	Security Insurance Company of Hartford	(33)	4,753
	Sentry Insurance A Mutual Company	894	431
	Sompo Japan Insurance Inc.	3,459	1,424
	Specialty National Insurance Company	0	2



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
1,313,350	785,143	528,207	66	62,703
78,022	43,600	34,422	51	4,993
635,436	411,831	223,605	67	62,492
100,856	44,904	55,952	52	1,389
17,068	6,387	10,681	18	4,902
551,397	418,611	132,786	63	19,424
208,676	145,095	63,581	241	(73,372)
3,517	249	3,268	n/a	127
320,694	99,351	221,343	83	14,080
3,246	113	3,133	n/a	(48)
0	0	0	n/a	0
6,903	2,387	4,516	-2	56
25,871	1,845	24,026	1645	182
1,205,413	626,811	578,602	83	20,899
49,680	6,642	43,038	592	2,855
0	0	0	n/a	0
666,741	475,011	191,730	77	40,782
143,012	55,899	87,113	17	21,699
5,921	35	5,886	0	243
26,566	4,346	22,220	-58	1,909
35,953	26,613	9,340	78	312
1,625	13	1,612	n/a	(9)
69,524	20,109	49,415	-356	3,750
8,622	1,437	7,185	136	(100)
13,232	2,731	10,501	140	510
0	0	0	n/a	0
157,611	85,404	72,207	3825	(9,217)
26,281	4,468	21,813	63	552
32,100	6,538	25,562	54	1,297
7,217	203	7,014	n/a	26



# PROPERTY AND CASUALTY COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Direct  
premiums  
written  
\$

Direct  
claims  
incurred  
\$

Note

### BRANCH cont.

St. Paul Fire and Marine Insurance Company	77,705	64,408
State Farm Fire and Casualty Company	312,611	205,410
State Farm Mutual Automobile Insurance Company	925,587	680,919
Stewart Title Guaranty Company	46,456	19,934
T.H.E. Insurance Company	132	81
The American Road Insurance Company	2,780	1,956
The British Aviation Insurance Company Limited	1	(311)
The Hanover Insurance Company	0	(10)
14 The Home Insurance Company	0	0
The Travelers Indemnity Company	1	3
TIG Insurance Company	0	(6,421)
Tokio Marine & Nichido Fire Insurance Co. ,Ltd.	13,508	6,492
UAP-NewRotterdam Insurance Company N.V.	0	(1,429)
Utica Mutual Insurance Company	286	157
Virginia Surety Company, Inc.	244	411
XL Reinsurance America Inc.	26,343	13,921
Zurich Insurance Company	428,787	252,932
	2,986,680	1,904,731
<b>TOTAL</b>	<b>17,137,032</b>	<b>11,659,056</b>



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
1,097,507	620,265	477,242	53	64,294
826,203	479,323	346,880	65	35,617
3,288,862	2,218,384	1,070,478	75	289,186
70,170	41,924	28,246	43	972
1,757	534	1,223	48	(1)
33,715	994	32,721	70	2,291
10,561	4,519	6,042	-13620	844
3,155	46	3,109	n/a	18
0	0	0	n/a	0
86,686	24,980	61,706	-71700	4,604
90,595	24,660	65,935	281200	13,773
70,651	41,825	28,826	56	3,211
4,455	529	3,926	n/a	501
10,411	4,506	5,905	64	610
31,171	3,121	28,050	72	1,894
335,079	185,634	149,445	71	9,450
2,204,095	1,711,077	493,018	70	59,490
19,632,138	12,698,031	6,934,107		885,198
94,400,901	69,443,929	24,956,972		4,173,831



# LIFE INSURANCE COMPANIES

## FINANCIAL SUMMARY

year ended December 31, 2005 (in thousands)

## ONTARIO BUSINESS

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	<b>ONTARIO</b>		
	CT Financial Assurance Company	4,742	1,226
	Revios Reinsurance Canada Ltd.	0	0
	Trent Health Insurance Company	0	19
	Union of Canada Life Insurance	1,043	1,051
		5,785	2,296
	<b>EXTRA PROVINCIAL</b>		
	Acadia Life	0	0
	Assumption Mutual Life Insurance Company	4,510	3,419
	AXA Insurance Inc.	10,932	1,054
	Canassurance Insurance Company	1,333	1,004
	Desjardins Financial Security Life Assurance Company	375,238	384,093
	First Canadian Insurance Corporation	15,828	2,770
	Industrial Alliance Insurance and Financial Services Inc.	508,769	305,042
	La Capitale Insurance And Financial Services Inc.	0	0
	L'Entraide Assurance Mutual Company	0	0
	National Bank Life Insurance Company	9,082	2,283
	Promutuel Life Inc.	0	0
	SSQ, Life Insurance Company Inc.	45,893	26,257
15	The International Life Insurance Company	0	0
16	The Union Life, A Mutual Assurance Company	0	0
	Trans Global Life Insurance Company	1,823	185
		973,408	726,107
	<b>FEDERAL</b>		
	ACE INA Life Insurance	42,375	13,875
	AIG Assurance Canada	45,729	34,742
	AIG Life Insurance Company of Canada	282,972	49,724
	Allstate Life Insurance Company of Canada	0	0
	Blue Cross Life Insurance Company of Canada	14,180	6,335
	BMO Life Insurance Company	15,981	991
	Canadian Premier Life Insurance Company	64,952	5,335



# TOTAL COMPANY

Total assets \$	Total liabilities \$	Excess of assets over liabilities \$	Net Income/ (loss) \$
24,656	15,749	8,907	410
55,697	27,721	27,976	(5,925)
43,112	16,643	26,469	3,231
73,223	62,098	11,125	435
196,688	122,211	74,477	(1,849)
55,479	37,861	17,618	1,149
455,177	389,844	63,333	6,075
351,504	297,904	53,600	(4,917)
78,450	47,250	31,200	2,913
11,638,525	10,806,031	832,494	151,581
182,228	127,354	54,874	10,029
10,078,640	8,704,348	1,374,292	132,161
122,942	90,007	32,935	502
47,885	41,257	6,628	7
169,835	67,792	102,043	27,514
9,458	4,915	4,543	923
1,710,417	1,526,661	183,756	23,485
0	0	0	0
0	0	0	0
9,948	2,858	7,090	3,650
24,910,488	22,144,082	2,766,406	355,072
52,497	32,321	20,176	3,670
589,135	544,927	44,208	8,321
1,346,836	1,168,970	177,866	17,661
3,386	16	3,370	36
213,747	165,225	48,522	3,046
46,377	10,420	35,957	12,226
129,201	33,567	95,634	10,438





# LIFE INSURANCE COMPANIES

## FINANCIAL SUMMARY

year ended December 31, 2005 (in thousands)

## ONTARIO BUSINESS

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	<b>FEDERAL cont.</b>		
	CIBC Life Insurance Company Limited	10,410	3,786
	CIGNA Life Insurance Company of Canada	3,335	3,569
	CompCorp Life Insurance Company	0	0
17	Confederation Life Insurance Company	0	0
	Co-operators Life Insurance Company	250,048	169,676
	Crown Life Insurance Company	0	0
	CUMIS Life Insurance Company	76,443	42,403
	Industrial-Alliance Pacific Life Insurance Company	92,794	32,244
	London Life Insurance Company	1,641,804	861,086
	Manulife Canada Ltd.	28,334	18,202
	MD Life Insurance Company	18,030	774
	Penncorp Life Insurance Company	25,861	6,973
	Primerica Life Insurance Company of Canada	88,831	30,432
	RBC Life Insurance Company	458,627	206,865
	Reliable Life Insurance Company	30,422	13,160
	Scotia Life Insurance Company	7,899	432
	Sun Life Assurance Company of Canada	2,802,062	2,606,535
	TD Life Insurance Company	20,158	4,152
	The Canada Life Assurance Company	1,268,553	1,415,156
	The Canada Life Insurance Company of Canada	0	5
	The Empire Life Insurance Company	317,132	226,755
	The Equitable Life Insurance Company of Canada	222,550	159,712
	The Great-West Life Assurance Company	1,902,536	1,411,073
	The Lincoln National Life Insurance Company	0	0
	The Manufacturers Life Insurance Company	3,509,850	2,824,752
	The Standard Life Assurance Company of Canada	812,666	778,950
	The Wawanesa Life Insurance Company	16,455	9,519
	Transamerica Life Canada	279,600	141,703
	Unity Life of Canada	55,973	18,838
18	Western Life Assurance Company	10,753	5,189



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net Income/ (loss)
\$	\$	\$	\$
30,527	(20,257)	50,784	5,351
42,222	34,424	7,798	666
10,000	155	9,845	0
0	0	0	0
2,310,572	1,870,498	440,074	19,598
701,092	499,423	201,669	15,200
602,614	511,041	91,573	13,896
2,025,797	1,772,098	253,699	41,450
21,180,087	19,505,530	1,674,557	344,168
3,596,478	3,301,093	295,385	59,095
208,560	178,267	30,293	3,727
236,791	174,484	62,307	11,259
411,805	6,167	405,638	43,457
4,201,750	3,303,602	898,148	70,214
47,272	25,999	21,273	1,947
52,803	(18,045)	70,848	11,501
68,738,349	59,848,306	8,890,043	1,318,682
22,524	(3,501)	26,025	1,166
14,682,236	11,560,856	3,121,380	541,708
4,233,631	4,051,774	181,857	5,944
2,961,186	2,503,582	457,604	28,671
1,025,152	858,110	167,042	14,366
22,134,447	12,836,084	9,298,363	1,324,056
19,546	0	19,546	17,458
50,896,006	38,756,016	12,139,990	2,076,357
14,697,281	13,548,261	1,149,020	177,504
418,426	348,046	70,380	4,712
4,599,920	3,502,738	1,097,182	(83,698)
276,729	242,249	34,480	4,509
57,355	40,463	16,892	1,485



# LIFE INSURANCE COMPANIES

## FINANCIAL SUMMARY

year ended December 31, 2005 (in thousands)

## ONTARIO BUSINESS

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	<b>FEDERAL cont.</b>	1,4417,315	11,102,983
	<b>BRANCH</b>		
	Aetna Life Insurance Company	999	1,696
	Allianz Life Insurance Company of North America	2,556	1,042
	American Bankers Life Assurance Company of Florida	80,987	12,647
	American Health and Life Insurance Company	11,180	1,830
	American Income Life Insurance Company	15,738	2,741
	AMEX Assurance Company	982	0
19	Assurant Life of Canada	0	0
	AXA Equitable Life Insurance Company	55	1,417
20	Bankers Life and Casualty Company	0	0
	Combined Insurance Company of America	37,329	13,089
	Connecticut General Life Insurance Company	4,465	1,229
	Cuna Mutual Insurance Society	195	385
21	Fidelity Investments Life Insurance Company	0	0
	First Allmerica Financial Life Insurance Company	23	28
	Forethought Life Insurance Company	1,602	6,056
	Fortis Benefits Insurance Company	65,079	14,537
	General American Life Insurance Company	0	(104)
	Gerber Life Insurance Company	1,061	44
	Hartford Life Insurance Company	0	546
	Household Life Insurance Company	13,457	2,450
	John Alden Life Insurance Company	0	10
	John Hancock Life Insurance Company	26	9
	Liberty Life Assurance Company of Boston	169	284
	Life Insurance Company of North America	1,242	1,848
	Life Investors Insurance Company of America	4,272	1,498
	Lincoln Heritage Life Insurance Company o/a Superior Life Insurance Company	0	0
	Massachusetts Mutual Life Insurance Company	220	218
22	Metlife Canada	0	0



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net Income/ (loss)
\$	\$	\$	\$
222,802,337	181,192,909	41,609,428	6,129,847
51,771	16,956	34,815	2,385
73,555	24,699	48,856	8,001
218,704	130,371	88,333	8,281
130,359	47,869	82,490	13,387
149,300	66,398	82,902	10,438
6,357	123	6,234	1,017
0	0	0	0
33,257	16,656	16,601	(125)
0	0	0	0
548,984	307,134	241,850	51,168
69,603	58,862	10,741	(2,658)
22,779	17,715	5,064	(466)
5,775	2,822	2,953	(729)
2,280	1,346	934	(45)
124,546	103,297	21,249	2,631
458,324	424,190	34,134	704
1,161,270	607,870	553,400	127,141
15,881	3,729	12,152	(488)
50,099	30,920	19,179	5,723
135,676	44,159	91,517	14,616
1,951	1,167	784	(71)
16,075	6,482	9,593	(160)
13,348	3,336	10,012	491
39,229	22,043	17,186	(3,742)
213,235	110,578	102,657	14,488
3,092	0	3,092	(24)
23,260	8,190	15,070	(730)
0	0	0	0



# LIFE INSURANCE COMPANIES

## FINANCIAL SUMMARY

year ended December 31, 2005 (in thousands)

## ONTARIO BUSINESS

		Direct premiums written \$	Benefits and payments to policyholders \$
Note	<b>BRANCH cont.</b>		
	Metropolitan Life Insurance Company	1,460	13,858
	Minnesota Life Insurance Company	128	379
	New York Life Insurance Company	22,916	7,134
	Pennsylvania Life Insurance Company	0	0
	Phoenix Life Insurance Company	0	29
	Principal Life Insurance Company	96	237
	Provident Life and Accident Insurance Company	0	0
	Reassure America Life Insurance Company	4	11
	State Farm Life Insurance Company	81,798	38,781
	Stonebridge Life Insurance Company	33	0
	The Lincoln National Life Insurance Company	0	0
	The Prudential Insurance Company of America	4,158	6,347
	The Standard Life Assurance Company	19,712	89,382
	The Travelers Insurance Company	0	282
	United American Insurance Company	415	444
23	Washington National Insurance Company	321	49
		372,678	220,433
	<b>TOTAL</b>	<b>15,769,186</b>	<b>12,051,819</b>



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net Income/ (loss)
\$	\$	\$	\$
1,695,090	462,554	1,232,536	63,575
2,537	107	2,430	43
263,999	93,348	170,651	12,049
1,173	5	1,168	62
2,238	542	1,696	(11)
9,505	6,178	3,327	247
249,552	4,712	244,840	70,233
13,957	4,976	8,981	697
937,138	738,558	198,580	22,504
44,111	5,921	38,190	3,592
19,546	86	19,460	17,458
260,390	188,398	71,992	(1,745)
1,035,982	988,716	47,266	(7,739)
25,825	3,491	22,334	256
10,837	5,551	5,286	458
5,775	2,822	2,953	(729)
8,146,365	4,562,877	3,583,488	432,183
256,055,878	208,022,079	48,033,799	6,915,253



# REINSURANCE COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

This table lists only those companies which are licensed solely for the business of reinsurance.

Premiums  
assumed

Net losses  
incurred

\$

\$

Note

### ONTARIO

Farm Mutual Reinsurance Plan Inc.

108,670

85,756

Global Reinsurance Company

(55)

7,194

108,615

92,950

### EXTRA PROVINCIAL

Optimum Reassurance Inc.

31,944

3,139

### FEDERAL

Anglo Canada General Insurance Company

83,987

48,964

Aspen Insurance UK Limited

43,419

27,629

Munich Reinsurance Company of Canada

165,345

80,213

RGA Life Reinsurance Company of Canada

189,256

9,729

SCOR Canada Reinsurance Company

26,725

15,110

Suecia Reinsurance Company

3

9

Swiss Re Life & Health Canada

263,756

40,574

Swiss Reinsurance Company Canada

78,515

19,460

851,006

241,688

### BRANCH

Alea Europe Ltd.

106

(1,916)

American Agricultural Insurance Company

8,179

6,381

AXA RE

49,612

62,304

Caisse Centrale de Reassurance

20,526

11,385

Cavell Insurance Company Limited

(4)

(140)

Converium Reinsurance (North America) Inc.

(602)

2,352

Employers Reassurance Corporation

60,553

34,151

Endurance Reinsurance Corporation of America

8,373

2,288

Everest Reinsurance Company

95,952

46,422

Folksamerica Reinsurance Company

10,238

3,368

GE Frankona Ruckversicherungs- Aktiengesellschaft

1,797

750

24 General Re Life Corporation

0

0

Hannover Ruckversicherung AG

62,582

22,012

Mapfre Reinsurance Corporation

3,115

900



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
490,186	315,292	174,894	92	24,613
128,053	90,640	37,413	-805	5,723
618,239	405,932	212,307		30,336
266,494	236,326	29,968	n/a	3,319
350,420	290,328	60,092	62	13,476
133,926	61,056	72,870	95	(4,819)
1,357,038	1,050,677	306,361	66	47,914
2,186,822	1,784,695	402,127	n/a	(6,156)
462,518	306,642	155,876	63	15,537
10,443	3,616	6,827	300	79
2,733,765	2,454,215	279,550	n/a	90,242
1,071,684	937,206	134,478	49	18,837
8,306,616	6,888,435	1,418,181		175,130
72,031	37,641	34,390	-2580	5,764
58,024	26,802	31,222	100	(1,194)
946,228	523,842	422,386	88	27,801
161,560	125,447	36,113	61	4,622
21,434	3,230	18,204	3500	556
38,819	11,090	27,729	103	(1,615)
725,682	336,643	389,039	n/a	70,810
73,484	45,821	27,663	70	252
589,141	457,925	131,216	76	13,591
170,180	106,646	63,534	57	6,211
48,149	19,673	28,476	n/a	25,243
9,066	2,501	6,565	n/a	1,445
569,112	341,693	227,419	66	16,926
31,965	6,184	25,781	84	(201)





# REINSURANCE COMPANIES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

This table lists only those companies which are licensed solely for the business of reinsurance.

Premiums  
assumed

Net losses  
incurred

\$

\$

Note

### BRANCH cont.

Munich Reinsurance Company	891,220	691,244
Nationwide Mutual Insurance Company	(7)	(47)
Nederlandse Reassurantie Groep N.V.	0	0
NRG Victory Reinsurance Limited	(13)	1,206
Odyssey America Reinsurance Corporation	66,944	49,202
Partner Re SA	56,720	27,493
Pohjola Non-Life Insurance Company Ltd.	0	(53)
ReliaStar Life Insurance Company	18,050	3,013
SCOR Vie	1,906	799
Seaton Insurance Company	0	0
Sorema North America Reinsurance Company	(3)	(73)
Swiss Reinsurance Company	326,450	2,033
Terra Nova Insurance Company Limited	(68)	3,030
The Insurance Corporation of New York	0	(277)
The Toa Reinsurance Company of America	24,300	17,151
Transatlantic Reinsurance Company	70,783	23,582
XL Re Europe, Canada Branch	16,637	5,484
	1,793,346	1,014,042
<b>TOTAL</b>	<b>2,784,911</b>	<b>1,351,819</b>

\*for reinsurance companies with both life and property and casualty business, claims incurred as a percentage of earned premium provided in the report, pertains only to property and casualty business.



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net income/ (loss)
\$	\$	\$	%	\$
7,003,537	5,874,748	1,128,789	n/a	9,208
26,653	6,754	19,899	n/a	1,052
4,964	1,877	3,087	n/a	(232)
18,846	6,457	12,389	-12060	(499)
224,306	145,411	78,895	73	7,350
403,679	380,759	22,920	52	16,267
2,360	480	1,880	n/a	47
127,535	68,908	58,627	n/a	6,708
240,141	170,991	69,150	n/a.	2,665
7,412	1,548	5,864	n/a.	329
53,185	8,919	44,266	-3100	2,025
1,924,900	1,111,759	813,141	n/a	63,245
47,124	27,284	19,840	-4268	160
30,757	2,639	28,118	n/a	841
165,715	124,780	40,935	81	2,235
510,527	375,477	135,050	60	18,572
152,613	101,023	51,590	49	6,566
14,459,129	10,454,952	4,004,177		306,750
23,650,478	17,985,845	5,664,633		515,535



# RECIPROCAL OR INTERINSURANCE EXCHANGES

## FINANCIAL SUMMARY

## ONTARIO BUSINESS

year ended December 31, 2005 (in thousands)

Direct  
premiums  
written  
\$

Direct  
claims  
incurred  
\$

Note

### ONTARIO

Canadian Lawyers Liability Assurance Society	25,025	40,479
Canadian Universities Reciprocal Insurance Exchange	6,991	3,651
Community Newspapers Reciprocal Insurance Exchange	88	64
Healthcare Insurance Reciprocal of Canada	85,350	67,275
25 Metro Public Education Insurance Exchange	0	0
Municipal Electric Association Reciprocal Insurance Exchange	8,628	1,962
Ontario Municipal Insurance Exchange	18,244	13,820
Ontario School Boards' Insurance Exchange	29,950	31,102
Poultry Insurance Exchange Reciprocal of Canada	431	7
	174,707	158,360

### BRANCH

Lumbermen's Underwriting Alliance	8,983	(31)
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Totals	183,690	158,329
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# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Claims incurred to earned premium	Net Income (loss) for the year
\$	\$	\$	%	\$
136,396	128,642	7,754	125	(1,812)
61,614	50,439	11,175	54	5,181
920	173	747	78	(64)
349,180	282,201	66,979	82	27,562
0	0	0	n/a	0
36,050	15,668	20,382	17	5,837
41,765	40,867	898	108	(1,907)
161,052	125,055	35,997	100	5,607
1,724	722	1,002	2	357
788,701	643,767	144,934		40,761
98,740	50,990	47,750	8	26,486
887,441	694,757	192,684		67,247



# FRATERNAL SOCIETIES

## FINANCIAL SUMMARY

year ended December 31, 2005 (in thousands)

## ONTARIO BUSINESS

Note		Direct premiums written \$	Benefits and payments to policyholders \$
	<b>ONTARIO</b>		
	Guaranteed Funeral Deposits of Ontario (Fraternal)	21,388	23,609
	Teachers Life Insurance Society (Fraternal)	7,910	4,606
	Toronto Police Widows and Orphans' Fund	1,211	2,013
		<b>30,509</b>	<b>30,228</b>
	<b>FEDERAL</b>		
	ACTRA Fraternal Benefit Society	766	795
	Canadian Professional Sales Association	128	526
26	Canadian Slovak Benefit Society	0	0
27	Canadian Slovak League	0	0
	Lutheran Life Insurance Society of Canada	12,737	13,462
	Sons of Scotland Benevolent Association	592	377
	The Grand Orange Lodge of British America	1,080	730
	The Independent Order of Foresters	20,202	21,854
	The Order of Italo-Canadians	17	61
	Ukrainian Fraternal Society of Canada	33	124
	Ukrainian Mutual Benefit Association of St. Nicholas of Canada	5	26
28	Workers Benevolent Association of Canada	0	0
		<b>33,560</b>	<b>37,955</b>
	<b>BRANCH</b>		
	ACA Assurance	547	174
	Croatian Catholic Union of U.S.A. and Canada	0	1
	Croatian Fraternal Union of America	397	258
	Knights of Columbus	79,158	23,318
	The Royal Arcanum, Supreme Council Of	851	116
	Ukrainian Fraternal Association of America	28	24
	Ukrainian National Association	46	123
	United Commercial Travelers of America, Order of	51	13
	Woman's Life Insurance Society	224	233
		<b>81,302</b>	<b>24,260</b>
	<b>TOTAL</b>	<b>147,371</b>	<b>92,443</b>



# TOTAL COMPANY

Total assets	Total liabilities	Excess of assets over liabilities	Net Profit/ (loss)
\$	\$	\$	\$
184,963	182,978	1,985	677
38,054	33,025	5,029	(207)
61,763	55,299	6,464	(146)
284,780	271,302	13,478	324
59,285	40,881	18,404	439
26,913	18,424	8,489	(225)
0	0	0	0
0	0	0	0
308,983	273,101	35,882	2,607
13,926	11,594	2,332	40
20,898	18,351	2,547	(14)
4,755,515	3,599,687	1,155,828	65,797
1,440	997	443	25
6,929	5,708	1,221	39
4,955	3,818	1,137	8
0	0	0	0
5,198,844	3,972,561	1,226,283	68,716
28,627	14,658	13,969	(1,231)
222	0	222	2
11,315	10,151	1,164	(504)
1,441,139	1,198,988	242,151	46,454
12,360	7,748	4,612	162
4,082	2,189	1,893	47
10,415	6,280	4,135	241
4,431	2,765	1,666	(174)
10,348	8,323	2,025	337
1,522,939	1,251,102	271,837	45,334
7,006,563	5,494,965	1,511,598	114,374

## Financial Summary Notes

- 1 The former name of Fenchurch General Insurance Company was Loyalist Insurance Company.
- 2 The former name of Howard Mutual Insurance Company was Howard Mutual Fire Insurance Company.
- 3 No financial information was reported for Markham General Insurance Company in 2005. The company was ordered into liquidation effective July 24, 2002.
- 4 No financial information was reported for Canadian Farm Insurance Inc.
- 5 No financial information was reported for L'Unique General Insurance Inc. Company became licenced in October 2005.
- 6 The former name of Optimum Insurance Company Inc. was Optimum Frontier Insurance Company.
- 7 No financial information was reported in 2005 for Orleans General Insurance Company.
- 8 No financial information was reported for Alta Surety Company in 2005. Company has a licence condition not to take on new contracts or renew existing ones.
- 9 The former name of Genworth Financial Mortgage Insurance Company (Canada) was GE Capital Mortgage Insurance Company (Canada).
- 10 No financial information was reported for Granite Insurance Company in 2005.
- 11 The former name of TD Home and Auto Insurance Company was Liberty Insurance Company of Canada.
- 12 No financial information was reported for Atradius Credit Insurance N.V. in 2005. Company became licenced in November 2005.
- 13 No financial information was reported in 2005 for Jewelers Mutual Insurance Company. Company became licenced in September 2005.
- 14 No financial information was reported in 2005 for The Home Insurance Company. Company has a licence condition not to take on new contracts.
- 15 No financial information was reported in 2005 for The International Life Insurance Company.
- 16 No financial information was reported in 2005 for The Union Life, A Mutual Assurance Company.
- 17 No financial information was reported in 2005 for Confederation Life Insurance Company. Company has licence condition not to take on new contracts and it is being wound up.
- 18 The former name of Western Life Assurance Company was Federated Life Insurance Company of Canada.
- 19 No financial information was reported in 2005 for Assurant Life of Canada. Company was licenced in December 2005.



- 20 No financial information was reported in 2005 for Bankers Life and Casualty Company. Company was in process of winding down its operations.
- 21 No financial information regarding premiums written and claims incurred was reported in 2005 for Fidelity Investments Insurance Company of Canada. Company became licenced in December 2005.
- 22 No financial information was reported in 2005 for Metlife Canada. Company was licenced in November 2005.
- 23 The former name of Washington National Insurance Company was Bankers National Life Insurance Company.
- 24 The former name of General Re Life Corporation was General & Cologne Life Re of America.
- 25 No financial information was reported in 2005 for Metro Public Education Insurance Exchange. Company was in process of winding down.
- 26 No financial information was reported in 2005 for Canadian Slovak Benefit Society.
- 27 No financial information was reported in 2005 for Canadian Slovak League. The company has been inactive since December 31, 2003.
- 28 No financial information was reported in 2005 for Workers Benevolent Association of Canada. Company transferred its insurance policies and policy liabilities to Sons of Scotland effective January 1, 2004.





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Financial Services Commission of Ontario  
5160 Yonge Street, Box 85  
Toronto, Ontario  
M2N 6L9

Telephone: (416) 250-7250  
Toll-free: 1-800-668-0128  
TTY (416) 590-7108, 1-800-387-0584

FSCO website: [www.fSCO.gov.on.ca](http://www.fSCO.gov.on.ca)

*Ce document est également disponible en français*

